

Office of Inspector General



U.S. Department of State

U.S. Arms Control and Disarmament Agency

**United States Information Agency, including
the Broadcasting Board of Governors**



Semiannual Report to the Congress

April 1 to September 30, 1998

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Executive Summary

During this semiannual reporting period, OIG focused on significant challenges facing the foreign affairs agencies, including U.S. participation in international organizations, the security of our overseas missions, and the operation of our information systems in the year 2000 (Y2K).

OIG reviewed operations at three U.S. Missions to international organizations and identified several areas for improvement. OIG has been active in reviewing the Mission Performance Plans (MPPs) and Bureau Program Plans (BPPs) that provide the framework for the Department to align its resources with strategic goals, as required under the Government Performance and Results Act. During this reporting period, OIG also provided guidance and expertise to the Department of State, United States Information Agency (USIA), and the Arms Control and Disarmament Agency (ACDA) in their efforts to meet the millennium challenge facing their computer and automated systems. On January 1, 2000, many computer systems worldwide may malfunction or produce inaccurate information because they are unable to correctly process the date change from 1999 to 2000.

Primary among our concerns this reporting period, however, was the need to reevaluate the security environment of U.S. missions after

the terrorist attacks at our embassies in Tanzania and Kenya. These attacks have underscored the vulnerability of some of our posts and fundamentally challenged our current approach to security at all of our missions. As the primary entity charged with the oversight of security at our missions, OIG has enhanced the security component of post inspections as well as expanded our security oversight inspections effort. During this reporting period, OIG conducted security oversight inspections at several overseas posts, as well as other work, such as a review of the Secretary's protective detail, and a report on bomb threat procedures at diplomatic facilities abroad.

In keeping with the OIG's initiative to inform State Department employees about the OIG investigative process, the Inspector General and representatives of the Office of Investigations and the Office of Counsel made presentations to bureaus and offices in Washington, D.C., and to several overseas missions. Topics of discussion included the investigative process, employee rights and responsibilities, whistleblower protections, and the Privacy Act.

To keep the Congress fully informed of our activities and programs, OIG also met with Members of Congress and staff during the reporting period to discuss a wide range of issues,

including diplomatic security, consular fraud, border control initiatives, information security, specific post inspections, and the OIG budget. OIG also provided comments on pending and proposed legislation, including whistleblower protection, OIG investigative activities, amendments to the Inspector General Act, and the role of the Inspectors General in the Government Performance and Results Act.

Improved Implementation of Foreign Policy

During this reporting period, OIG conducted reviews at a number of overseas posts, with a special focus on U.S. Missions to international organizations. OIG reviews identified a number of areas contributing to improved foreign policy.

Several key areas for the U.S. Mission to the United Nations (USUN) involve UN reform, U.S. arrearages in contributions, and reduction of the overall U.S. contribution to the UN. Arrearages owed by the United States and the prospect of future reductions in U.S. financial contributions to the United Nations have complicated the role of the U.S. mission in advocating UN reform. Effective management of the mission was also impeded by the fact that the chief of mission's responsibilities

frequently required travel away from New York. This resulted in additional work for the deputy permanent representative, and insufficient attention to management oversight, administrative operations, management controls, and workload distribution. Significant weaknesses in budget and fiscal operations were identified in this inspection.

The U.S. Observer Mission to the United Nations Educational, Scientific, and Cultural Organization (UNESCO) has been effective in promoting U.S. interests, and in spite of budgetary constraints, has achieved significant management reform. Nonetheless, the reluctance of the United States to assume full membership status carries with it a cost, which ultimately, may diminish opportunities to press U.S. interests in the commercial, scientific, cultural, and educational areas.

The U.S. Mission to the Organization for Economic Cooperation and Development (OECD) is an effective forum for the United States to address important international economic and environmental issues. The U.S. mission's work has, for example, produced an agreement among key trading partners restricting bribery. Efforts to reduce the U.S. share of the OECD's budget have generated resistance among other members, however, the U.S. Mission has been successful in reforming OECD's budget and refocusing its work on issues of priority to the U.S. Government.

Better Alignment of Fiscal and Human Resources With Foreign Policy Objectives

At the request of the Department, OIG has been active in reviewing the MPPs and BPPs that provide the framework for the Department to align its resources with strategic goals, as required under the Government Performance and Results Act. Inspectors use the mission performance plans as a key resource during their review of overseas posts. Simultaneous reviews of USIA country performance plans by the inspectors ensure consistency in the implementation of foreign policy between the agencies.

In Washington, OIG has participated in bureau and interagency reviews of the mission and bureau performance plans. This is part of an ongoing effort to provide feedback to the Department on the effectiveness of the plans in defining performance objectives, linking resources to goals, and measuring the results of foreign affairs activities. This guidance will allow the Department to refine the performance planning process and to implement needed changes in time for the next budget cycle.

More Efficient, Effective, and Secure Operations and Infrastructures

One of OIG's priorities is improving the efficiency, effectiveness and security of agency operations and infrastructures. The terrorist attacks in Africa have underscored the OIG's key role in reviewing security standards, and OIG has examined and expanded its work in the areas of security oversight. The Y2K challenge faced by our foreign affairs agencies was also a focus of OIG efforts in that the need for a secure and reliable infrastructure for information and basic services is fundamental to global operations.

OIG is the primary Federal entity charged with the oversight of security at US missions overseas. Given the composition of our teams of technical experts, the OIG can provide a multiagency viewpoint on critical security and intelligence issues. Our security oversight responsibilities are not limited to the embassy itself, but to all facilities under chief of mission authority. Examples include United States Information Service libraries, Agency for International Development missions, and Peace Corps offices. For example, OIG has recently made recommendations regarding improvements to the security of Voice of America relay sites for international broadcasting. As part of our security oversight inspections, we have

also recommended that ambassadors, through Memoranda of Understanding between the Department and the Department of Defense, establish clear delineations of authority and responsibility to better ensure the safety and security of civilian and military personnel abroad.

Terrorist attacks on the U.S. Embassies in Nairobi, Kenya, and Dar Es Salaam, Tanzania, have caused the U.S. Government to intensify efforts to identify and eliminate security vulnerabilities at U.S. missions overseas. In order for OIG to provide even broader security oversight, security experts will join additional post management inspection teams in Africa, the Middle East, Europe, and Asia throughout FY 1999.

OIG is also providing oversight of the Department's ongoing and planned construction of chanceries in Moscow and Beijing. We plan to provide similar oversight for the construction of the new missions in Kenya and Tanzania, and other facilities where the need for construction or security enhancements has been identified by the Department. OIG's focus is to maximize security resources and minimize the likelihood of costly mistakes.

The Moscow Oversight Team concluded in its most recent review of the construction project in Moscow that, overall, the construction project is proceeding satisfactorily. According to the general contractor, the project should be completed by October of 1999. OIG also issued a report

highlighting the need for better planning and coordination for the transition to the New Office Building and for the use of other structures on the embassy compound.

During this reporting period, the OIG Office of Security and Intelligence Oversight (SIO) completed several audits and inspections to improve security and more effectively use resources. Complete details on OIG's security oversight work are presented in the classified annex to this semiannual report.

An OIG audit to evaluate the effectiveness of the protective security provided to the Secretary of State resulted in a number of recommendations on staffing, training, equipment, and emergency response procedures. In another review, OIG determined that changing embassy bomb procedures could save lives and limit casualties. Such changes included new measures for responding to vehicle bomb attacks.

During this semiannual reporting period, OIG has assisted the Department, USIA, and ACDA in their efforts to remedy the Y2K problem. Failure to do so could create havoc in the foreign affairs community, including disruption of messaging systems, impediments to embassy operations such as visa and passport processing, and failures in administrative functions such as payroll and personnel processing.

The Department's global presence at more than 260 locations worldwide increases the Department's challenge to continue

functioning effectively in the year 2000. Embassies and consulates rely on their respective host countries' infrastructures to provide essential, day-to-day services such as power, water, telecommunications, and emergency services. In some countries these services could be disrupted if critical infrastructure components and control systems are not made Y2K compliant.

OIG's work on the Y2K problem to date indicates that progress is slow in getting mission-critical systems Y2K certified, and core business processes are at risk because few contingency plans have been finalized. Future challenges include testing and certifying mission-critical applications, acquiring the needed financial and staff resources, making appropriate Y2K-related year end expenditures, tracking mission-critical application progress, and initiating appropriate contingency planning activities.

OIG will continue its assistance to the Department of State, USIA, and ACDA. OIG plans for evaluation and support activities through the year 2000 include assisting the Department's Y2K Project Management Office develop certification guidelines; reviewing the Department's and USIA's efforts overseas to prepare adequately for the millennium change; and working with the Department to ensure its global network, which supports all of the foreign affairs community, is adequately prepared.

Greater Adherence to Fundamental Principles Governing Professional and Ethical Conduct

OIG continued its outreach efforts by providing briefings for employees in Washington and 20 overseas posts on the investigative process, employee rights and responsibilities, whistleblower protections, and the Privacy Act. During this semiannual reporting period, briefings were held in Washington and at overseas posts in East Asia, Southeast Asia and Central Africa. Responses to the briefings have been positive, and have included suggestions for improvements to OIG inspections, audits, and investigative processes and procedures.

During the period under review, OIG also implemented an extensive series of outreach programs designed to exchange information on the efforts of governments to foster ethics and greater accountability in government operations. On separate occasions, the Inspector General met with officials from the Governments of Angola, Namibia, the People's Republic of China, and Bangladesh to discuss anti-corruption and ethical conduct initiatives.

OIG is also working with the Government of Chile on its efforts to promote and develop public policies and to ensure the proper use of public resources. A Memorandum of Agreement was signed

between the United States of America and the Republic of Chile by Secretary of State Albright and Minister of Foreign Relations Jose Miguel Insulza in April, 1998. The agreement calls for cooperation between the Inspector General of the Department of State and the General Internal Auditing Advisory Board for the Government of the Republic of Chile in several areas including Y2K, Federal auditing, fraud prevention, and accountability.

Our Office of Investigations conducted investigations in several areas, including a major, joint investigation with several other U.S. law enforcement agencies. For this investigation, documentation obtained to date indicates evidence of more than 60 instances of visa fraud. Judicial proceedings are pending in U.S. District Court.

In another visa fraud case, OIG received information that an individual was involved in arranging "marriages of convenience" for illegal aliens currently in the United States and others wishing to obtain visas to enter the United States. In July 1998, the marriage broker and nine coconspirators were indicted and arrested for conspiracy to commit visa fraud.

OIG exonerated a Department of State official alleged to have used office telephones and government time to establish a scholarship fund in the name of a friend

at a private university, and received season tickets to sporting events at the university. OIG developed no evidence that the official used government telephones or official time to help establish the scholarship fund, and established that the official used personal funds to acquire season tickets to the university sporting events.

In response to charges of misconduct in USIA, OIG opened three criminal investigations, referred three investigations for criminal prosecution, and referred three administrative reports for disciplinary and/or administrative action during the reporting period. Those investigations uncovered activities that included falsifying time and attendance sheets, fraudulent use of expense claims, and theft.

OIG also concluded its investigation of a broadcaster with the Office of Cuba Broadcasting, who submitted fraudulent relocation vouchers. In September 1998, the employee entered a guilty plea in U.S. District Court to a felony charge of filing a false, fictitious, and fraudulent claim.

Improved OIG Management and Performance to Accomplish OIG Objectives

During the six-month period under review, OIG prepared its FY 1999 annual workplan, which describes the specific work to be accomplished to achieve OIG's performance goals and objectives. The workplan was developed by five interdisciplinary core groups, each headed by an Assistant Inspector General, which are responsible for identifying and proposing projects and activities in support of one of the five strategic goals. The core group concept is the primary vehicle for implementing OIG's performance and strategic plans under the Government Performance and Results Act. In accordance with the mandate of this Act, the OIG will develop reports summarizing OIG findings and recommendations on issues of concern and the overall results in support of performance objectives.

During this reporting period, OIG also developed a multiyear strategic plan for information technology, as required under the Clinger-Cohen Act. Based on OIG executive management review of the plan, our office will develop and initiate a migration plan that will establish a blueprint for OIG's information technology needs for the 21st century.

Congressional Activities and OIG Outreach

During this semiannual reporting period, OIG representatives met with Members of Congress and staff to discuss a wide range of topics including diplomatic telecommunications, mission security, consular fraud prevention, border control initiatives, information security, specific post inspections, and the OIG budget and areas of emphasis. In addition, OIG also provided comments on proposed legislation. These included:

- H.R. 716, Competition in Commercial Activities Act of 1998;
 - H.R. 3829, Intelligence Community Whistleblower Protection Act of 1998;
 - S. 2167, Inspectors General Act Amendments of 1998;
 - S. 2052, Intelligence Authorization Act for 1999;
 - S. 2057, National Defense Authorization Act for FY 1999.
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Another Side of the Inspector General: Promoting Ethics Around the World

Around the globe, nations are recognizing that corruption needs to be addressed—and are coming to the United States for guidance.

Early last year, the Inspector General received an unusual request from the Department's Bureau of East Asian and Pacific Affairs: Would the Inspector General be interested in leading a delegation to discuss ethical conduct to what some would consider an unlikely partner—the People's Republic of China?

Embassy Beijing had begun conversations with People's Republic of China officials about an exchange with others in the United States who were engaged in anticorruption and ethical conduct initiatives. The Inspector General agreed to lead the delegation, including representatives from OIG and the U.S. Office of Government Ethics. The Chinese—specifically the Ministry of Supervision, whose mission is similar to that of an OIG but for the entire People's Republic—enthusiastically issued an invitation that was readily accepted.

The trip was an extraordinary event. The delegation was received at the very highest levels of government. Discussions were candid. Exchanges

of information were abundant about how to build reforms and ethics into our governments. The trip was such a success that the Department extended an invitation to the Chinese to send a delegation to the United States to continue the dialogue. The visit took place in early June and the fruitful exchange of information and ideas continued.

For years the United States has toiled to write, refine, and proffer its code of conduct, and we are not alone in this engagement, as many nations are now establishing inspector general oversight functions to promote ethics in government. In fact, initiatives to fight corruption and infuse standards of ethical conduct abound around the world. The interest of other nations in U.S. laws of ethics and conduct is increasing. China is only one of several nations recognizing that corruption needs to be addressed. In the past three years, the Inspector General has met with a number of delegations including those from Argentina, Australia, Chile, Hungary, Israel, Kyrgyzstan, Latvia, and Switzerland, to name a few. The Government of Vietnam has also expressed an interest in learning more about the functions and responsibilities of a U.S.-style inspector general.

OIG Outreach

In April, the Inspector General accompanied the Under Secretary of State for Management to Angola and Namibia to discuss efforts to combat waste, fraud, and mismanagement with government officials. As a result of the visit, the Inspector General returned to Namibia in September to address the National Conference on combating corruption and promoting transparency and ethical behavior in government.

In June, the Inspector General hosted a delegation from the People's Republic of China's Ministry of Supervision to exchange information and ideas on anticorruption and ethical conduct initiatives. The delegation's visit was a continuation of the dialogue initiated when the Inspector General traveled to China in September 1997 to discuss ethics and rule of law issues. U.S. participants included individuals representing the Office of Management and Budget, U.S. Attorney's Office, Office of Government Ethics, and other Inspectors General. Topics of discussion included government investigative and oversight functions, prosecution of employee misconduct, procurement and

program fraud, and local prosecutions of public officials.

As a result of a Memorandum of Understanding signed by the Secretary of State and Chile's Minister of Foreign Relations in April 1998, the Inspector General traveled to Chile in July to work with government officials on efforts to implement policies of good government, rule of law, and ways to strengthen administrative accountability. The MOU provides for cooperation and exchange of knowledge, experiences, and technical information in implementing federal audit review policies. The OIG will serve as an intermediary to facilitate broader bilateral cooperation between the Chilean Government and other U.S. executive agency auditing entities including other Federal OIGs. While in Chile, several additional areas were identified for further cooperation between the two governments.

In September, the Inspector General hosted a visiting delegation from Bangladesh including the Comptroller and Auditor General, to discuss the organization and operations of an Office of Inspector General.

U.S. Department of State

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Audits

OIG audit work this reporting period included reviews of management controls over software development at overseas posts; support for U.S. business overseas; implementation of the International Cooperative Administrative Support Services (ICASS) program; and management of the consular agent and the Professional Associates programs. OIG audited the financial statements for the Foreign Service Retirement and Disability Fund in accordance with requirements of the CFO Act of 1990 and audited the Department's expenditures of machine-readable nonimmigrant visa fees. Also, during this reporting period, OIG continued to provide assistance to the Department, ACDA, and USIA in meeting the millennium challenge facing their computer and other automated systems.

Software Development at Overseas Posts (98-IM-009)

OIG reviewed software development at overseas posts. The objectives were to determine how well the Department of State and the U.S. Information Agency (USIA) manage and control software development overseas and how these locally developed software applications meet posts' needs.

The Department has not established policies, issued guidance, or mandated procedures for posts on the development and acquisition of local software applications. OIG found that post personnel have been developing computer applications without proper oversight and, as a result, Federal software development and reporting standards are not being met. Post personnel are duplicating each others'

software development efforts and initiating local contracts for the development of new applications with mixed success and unnecessary expense from the duplication of effort. Without Department intervention, posts will likely continue uncoordinated software development activities as they address their growing automation needs. The Department has not been able to quantify either the extent or the cost of posts' software development activities; however, both appear to be substantial. In addition, most posts need to convert obsolete software applications and modernize their computer hardware with local area networks, which may only increase the proliferation of locally developed software. A few geographic bureaus have begun sponsoring collaboration among their constituent posts to promulgate

locally developed software applications that may be useful to many posts.

USIA overseas staffs generally do not develop local software applications, but rely on corporate applications that are developed centrally or initiated at posts and then are sponsored by USIA headquarters. Post-initiated applications are usually completed and documented by headquarters' technical staff members. USIA overseas personnel, however, are not fully satisfied with the corporate software they have received.

OIG recommended that the Department's chief information officer, in coordination with the deputy assistant secretary for Information Management and the executive directors of the geographic bureaus, establish policies for developing and managing overseas software application development, identify post requirements that should be addressed by corporate applications, and develop a strategy to meet those requirements. OIG also recommended that mechanisms be created for posts to more effectively share locally developed applications, report significant software development expenditures, and obtain and follow specific procurement guidelines before contracting for software development.

Professional Associates Program (98-CI-10)

In a review of the Professional Associates (PA) Program, OIG determined that it is a cost-effective method of filling staffing gaps overseas and providing employment opportunities for eligible family members. The estimated savings in travel, housing, shipping, and associated support costs is approximately \$105,000 annually over the cost of a junior officer position. The program provides the PAs with an opportunity to work and contribute to the mission of the post. However, there are several opportunities for program expansion and improvement. Specifically, we found an unnecessarily limited focus on the consular cone, fragmented program management, a lack of coordination, an inadequate selection process, and a lack of program flexibility (including limitations on what duties a PA may perform). We also found that inadequate performance standards and a lack of training support diminished the effectiveness of the program. As a result, we believe that the Department needs to do more to support the PA program.

Identification of Excess, Underutilized, or Obsolete Real Properties

At the request of the Under Secretary for Management, starting in March 1998, OIG included the identification of excess, underutilized, or obsolete real properties in inspections and audits at overseas posts. For the first 6 months of this 1-year effort, OIG has provided 14 post draft reviews to the Office of Foreign Buildings Operations (A/FBO) listing 63 overseas properties that OIG categorized as excess, underutilized, or obsolete at the time of the inspection or audit. For about one-third of these properties, A/FBO has plans to dispose of or develop them as conditions permit. The draft reviews will be used by A/FBO in an effort to manage its real property assets.

To improve the program, OIG recommended that the Bureau of Personnel (PER) devote sufficient time to properly administer the program. Other recommendations included developing and distributing program guidance to the field, developing adequate performance standards, improving the training support for PAs, and increasing program flexibility by hiring PAs outside of the normal bidding cycle.

Restructuring the U.S. Mission to Germany Real Property Management (98-PP-011)

OIG reviewed the real property management issues related to the Department's effort to restructure its U.S. Mission to Germany as the embassy is moved from Bonn to Berlin in FY 1998-99. The review was conducted to determine the viability of the Department's plan to fund the construction of the new chancery, to the maximum extent practical, from proceeds of the sale of Department-owned real property in Germany, whether government-owned housing will meet projected housing needs, and whether Embassy Bonn and constituent posts have realigned maintenance and repair resources to reflect changing property inventories and staffing levels at the constituent posts.

It is extremely unlikely that the Department will be able to fund the construction of the Berlin chancery solely from the proceeds of the sale of real property in Germany, and design and con-

struction will take nearly 5 years once sufficient funding is secured. The amount of the expected shortfall to build the new chancery is uncertain, but OIG estimated it to be approximately \$50 million.

OIG recommended that the Department decide on an alternative means for funding the chancery's construction and develop a timetable for completing construction if a decision is made to start building the chancery. Until the chancery is constructed, the Department will operate from three leased interim facilities. The condition or size of more than half of the residences in Berlin is not adequate to meet housing needs for projected staffing at the completion of the move to Berlin. The size and configuration of the Berlin general services office have not been determined because of uncertainties about staffing and housing needs and because of differing views within the Department about the scope of general services office operations during and after the move to Berlin. Also, sufficient maintenance and repair positions have not yet been transferred from Bonn to adequately maintain properties in Berlin and Frankfurt. In the absence of sufficient personnel, properties may continue to deteriorate from lack of maintenance.

Foreign Service Retirement and Disability Fund (98-FM-012)

The Foreign Service Retirement and Disability Fund (FSRDF) is a trust fund that provides pensions to retired and disabled members of the Foreign Service. For FY 1997, FSRDF reported assets of \$9.2 billion and an actuarial unfunded liability of \$588 million. The Chief Financial Officers Act of 1990 requires that OIG audit the financial statements for the FSRDF to

- obtain reasonable assurance and express an opinion on whether the financial statements are free of material misstatement;
- determine whether FSRDF has an internal control structure that provides reasonable assurance of achieving internal control objectives; and
- determine whether FSRDF has complied with applicable laws and regulations.

OIG issued an unqualified opinion on the FSRDF financial statement for FY 1997. The report identifies two instances of non-compliance with laws and regulations related to debt collection. One instance was cited in last year's audit, but is not yet fully corrected. This issue did not affect the audit opinion on the FSRDF statements.

Consular Agent Program (98-CI-13)

Consular agents, who have been a part of the State Department system for more than 150 years, are part-time Foreign Service employees authorized to provide limited consular and other related services at specified locations abroad where there is no Foreign Service post. The primary function of consular agents is to provide services to American citizens. The objective of the audit was to evaluate how well the Department of State manages the consular agent program and to identify areas susceptible to fraud and malfeasance.

Consular agencies provide several important benefits. The agencies are a low-cost alternative for providing consular services to U.S. citizens overseas enabling posts to provide more timely services to U.S. citizens. In addition, agencies allow for more efficient use of post personnel and travel resources and are more flexible than an embassy or consulate. OIG review, however, disclosed several weaknesses that detract from the program including: insufficient

Assistance to the Department

After OIG had completed its audit of the Department's FY 1997 agencywide financial statements, the Department requested the OIG to review the Department's efforts to correct the weakness with unliquidated obligations that prevented OIG from issuing an unqualified opinion on the Department's financial statements. Although continuing the audit delayed the issuance of the audit opinion, this assistance was vital to ensure that this long-standing weakness was corrected. This review will provide a basis for the Department to report accurate information on the FY 1998 financial statements.

program oversight, a lack of program guidance, a lack of planning and analysis to determine the need for consular agencies, and failure to obtain reimbursement from other U.S. Government agencies using consular agency services. Personnel issues identified by OIG include inadequate performance standards and evaluations, inaccurate compensation to some agents, and no formal training.

Based on OIG analysis and discussions with Department officials, the primary cause underlying the program weaknesses is the absence of a management focal point, resulting in a cumbersome process for addressing systemic problems. OIG recommended that the Department establish a management focal point to address these weaknesses.

Selected Management and Financial Practices of the Multinational Force and Observers (98-CG-015)

OIG conducted a review of selected management and financial practices of the Multinational Force and Observers (MFO) for the fiscal year ending September 30, 1997. The objective of the review was to assess whether the MFO complied with its administrative and financial regulations during the fiscal year, particularly those affecting salaries and benefits of the Director General and senior staff. OIG's review consisted primarily of examining work performed by MFO's independent auditing firm and included such additional tests as OIG considered necessary. OIG also

reviewed MFO's budgeted and actual expenditures for the 6-month period ending March 31, 1998, to assess any trends or significant changes following the end of the fiscal year.

The MFO's independent auditor had concluded that the pay and benefits of the Director General and other senior staff during FY 1997 were substantially in compliance with MFO regulations and procedures. OIG found the conclusions reached by the independent auditor to be fairly stated.

Based on expenses incurred through the first two quarters of FY 1998, MFO has projected total expenses for the fiscal year to be approximately \$50.7 million, or about \$300,000 less than its proposed FY 1998 budget. MFO's FY 1997 expenditures exceeded its FY 1996 expenditures by about

Cost Comparison of the Financial Advisers for the New Independent States

OIG conducted a limited analysis of the average cost for selected financial advisers to the New Independent States (NIS) used by the U.S. Agency for International Development (USAID), Department of the Treasury, and Department of Commerce. The Department of State's Office of the Secretary, Office of the Coordinator for U.S. Assistance to the New Independent States (S/NIS/C) requested the analysis because of its reliance on an average cost to allocate funds among the participating agencies.

S/NIS/C uses an estimated average annual cost of \$475,000 for each adviser to fund such positions, regardless of an individual agency's requested amount. Using an overall average to allocate funds creates possible inequities (for example, Treasury and USAID estimated their FY 1996 average cost for each adviser at \$535,000 and \$410,000, respectively) and masks significant differences among agencies, programs, and countries. S/NIS/C wanted to develop a clear and convincing

comparison of USAID, Treasury, and Commerce adviser costs for a common country and period to provide a better basis for allocating funds.

Based on data submitted by the three agencies, OIG calculated average costs for supplying long-term advisers to Russia. However, OIG found that, even on a single-country basis, a meaningful comparison of adviser costs would require significant time and resources to obtain, clarify, verify, and explain differences in cost categories before S/NIS/C could rely on the information. Therefore, based on the information received and the average costs computed by OIG, continued use of the \$475,000 average cost appears to be a reasonable alternative in the short run. In the longer run, instead of using average costs, OIG believes S/NIS/C should consider using Government Performance and Results Act data to allocate funds based on reasonable agency-specific program costs, depending on how well the agency accomplishes program objectives.

\$2.2 million. The change primarily stemmed from increases in expenses for troop rotation, force protection, repair and maintenance of water tanks, preparation of the new headquarters building, purchases of vehicles, and refurbishment of junior staff quarters at North Camp.

Internal Controls Over Procurement Operations at Embassy Nassau (98-CG-016)

OIG conducted a review of the internal controls over Embassy Nassau's procurement operations. Embassy Nassau requested the review because a Foreign Service national (FSN) employee diverted Embassy funds for personal use. After OIG's Office of Investigations completed an investigation of the allegation, embassy officials requested OIG's Office of Audits to review procurement operations and identify internal controls in need of improvement.

OIG identified various internal control weaknesses in the embassy's procurement process. OIG found that procedures were inadequate to ensure compliance with

regulations for processing and certifying vouchers and claims, and there was inconsistent oversight of post financial reports, and incomplete vendor documentation. Factors that contributed to these weaknesses included a lack of training and inadequate oversight of daily financial operations. The embassy agreed to initiate actions to enhance its control of and oversight over procurement operations, which would help reduce the likelihood that fraud, waste, or mismanagement would recur.

International Cooperative Administrative Support Services Program (98-FM/IM-017)

OIG reviewed management by the Bureau of Finance and Management Policy (FMP) of the ICASS program as it relates to achieving its legislative mandate of providing a transparent and equitable cost allocation system for administrative support of U.S. Government agencies abroad. Since transparency and equity in the allocation of costs are critical, our review focused on that mandate. Although ICASS has other goals, we did not examine whether it has been effective in meeting

those goals but will do so in our future work. ICASS is a new way to manage and fund overseas support to U.S. Government agencies and is designed to more equitably spread the support costs in diplomatic missions. It incorporates many of the concepts of entrepreneurial government supported by the National Performance Review as well as the principle, enunciated by the House Appropriations Committee, of agencies paying for the services they actually consume.

Based on the audit, OIG believes that the ICASS program is capable of delivering fair, understandable, reliable, timely, and auditable financial information. OIG recommended that FMP distribute more guidance regarding financial data; establish a baseline for the amount and number of furniture, fixtures, appliances, and equipment scheduled for replacement; improve software access controls and standardization; ensure that communications about the program and software are available for staff; and thoroughly test software ensuring that independent verification and validation recommendations are thoroughly analyzed and implemented.

Expenditure of Machine-Readable Visa Fees (98-FM-018)

OIG performed an audit of the Department's expenditure of machine-readable nonimmigrant visa (MRV) fees, which are charged foreigners to enter the United States and are used for consular and border security purposes. Overall, OIG found a well-coordinated MRV expenditure program managed by FMP and the Bureau of Consular Affairs.

MRV fee expenditures were in compliance with the law and used for consular activities and

border security initiatives as agreed to in consultations with the Office of Management and Budget (OMB) and the Congress. OIG also found that the current authorizing legislation was sufficiently flexible to meet the Department's foreseeable needs.

OIG was concerned, however, that the Department was becoming increasingly reliant on MRV collections, which are not permanently authorized for retention, to pay for recurring expenditures. For example, the Department is using MRV fee collections to pay the salaries and benefits of almost 1,000 full-time, primarily existing, American employees who work in

consular and border security related activities, while the direct appropriation for these activities has been reduced. By doing so, the Department has created permanent, recurring expenditures for which it has no budget base but rather provides for these expenditures from "temporary" sources that are reauthorized on an annual basis. Thus, if the authority to use MRV collections were to be withdrawn, the Department could experience a severe budget shortfall, be unable to pay the salaries and benefits of its consular and border security employees, and face disruption of these services.

Year 2000 Products and Reports

In our effort to add value and ensure timely reporting in our Y2K-related work, the OIG has adopted a strategy of producing many short, narrowly focused interim memorandum reports issued directly to the Department of State's Chief Information Officer, Y2K Project Management Office, and other senior Department and USIA officials who are directly responsible for implementing Y2K remediation. To date, OIG's Y2K audit team has produced two reports detailing its observations in several key areas:

Y2K Interim Memorandum 1—Issued June 17, 1998: The first memorandum highlighted the need for more thorough data collection and accurate status reporting to OMB, better tracking of applications, greater focus on the computer networks that support Department operations, responding to the increasing difficulty in staffing Y2K efforts in bureaus and offices, more specific attention to the vulnerabilities of the Department's overseas computer dependencies, and more timely issuance of critical Y2K guidance.

This first OIG memorandum resulted in reducing the number of Department systems that were initially reported to OMB as compliant from 26 to none. OIG findings also resulted in greater focus on Department-wide project management tracking; discovery of seven new applications, which were added to the Depart-

ment's system-tracking database; and development of a new rating system that tracks and evaluates system interfaces. In addition, greater attention is now being paid to Y2K vulnerabilities of both the classified and unclassified local area networks, and the Department's Y2K Project Management Office has begun an initiative to hire more Y2K technical specialists and make them available throughout the Department.

Year 2000 Interim Memorandum 2—Issued on August 20, 1998: This memorandum consolidated the data OIG gathered from ten offices and bureaus that are responsible for the Department's mission-critical systems and provided an analysis of the progress being made to resolve individual system Y2K vulnerabilities. The memorandum highlighted the changes that had been made in the Department's Y2K efforts since the first memorandum was issued, but pointed out important challenges still facing the Department in

- testing and certifying mission-critical applications,
- acquiring the needed financial and staff resources,
- making appropriate Y2K-related year end expenditures,
- tracking mission-critical application progress, and
- initiating appropriate contingency-planning activities.

Diplomatic Telecommunications Service Program Office (98-IM-019)

OIG initiated a review of the Diplomatic Telecommunications Service Program Office (DTSPO) to determine how well the office was meeting the telecommunications needs of the foreign affairs community. In spite of significant improvements in telecommunications services since the 1995 OIG audit, many customers are frustrated at the length of time DTSP0 takes to satisfy customer requirements. This review identified inadequate funding as the primary reason for delays in DTSP0's implementation of customer requirements; some of the office's inefficient internal processes further contribute to these delays. DTSP0 can better meet the telecommunications needs of the foreign affairs community by exploring newer technologies and more aggressively marketing its services. The audit recommended that DTSP0 charge for all telecommunications services it provides, develop performance measures for key business processes, and streamline procurement processes.

Housing Purchases and Warehouse Operations at Embassy Stockholm (98-PP-020)

In response to a request from Embassy Stockholm, OIG reviewed the purchase of 11 houses and 5 apartments totaling approximately \$5.3 million during 1997 to ensure that the amounts paid were within appraisals previously established by A/FBO. In addition, because a previous OIG post inspection report had identified management control weaknesses at the post warehouse, OIG conducted a review of management controls over warehouse operations. Based on the review, Embassy Stockholm paid a fair and reasonable price for the properties. However, embassy staff did not follow Federal Acquisition Regulation requirements for procuring goods and services related to the housing purchases. Also, personal property management lacked proper separation of duties and warehouse property was not adequately secured. OIG recommended that the post:

- review the propriety of the make-ready costs for 1997 housing purchases and enhance managerial oversight for all make-ready projects,
 - require procurement staff to follow contracting regulations for full and open competition,
 - ensure that proper separation of duties is implemented over the personal property and warehouse management functions, and
 - implement proper physical security of property stored in the warehouse.
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Bureau of African Affairs Support for U.S. Business (98-CI-022)

OIG reviewed activities of the Bureau of African Affairs (AF) to promote and support U.S. business overseas. In sub-Saharan Africa, AF has primary responsibility at 35 posts to promote and support U.S. commercial activities. AF posts have made a major commitment of personnel and financial resources to assist U.S. business in Africa. However, we found AF does not have a coordinated management structure in Washington to promote and support overseas activities. We found that 60 percent of officers arriving at posts are not trained to fully handle their commercial responsibilities. OIG recommended that AF, in coordination with the Office of the Coordinator for Business Affairs and the Office of Career Development and Assignments in the Bureau of Personnel, ensure that officers with commercial responsibilities receive formal training, if practical, before arriving at post. We found that AF does not have a coordinated management structure to promote and support overseas commercial activities. OIG recommended that AF develop and coordinate bureau commercial initiatives, manage bureau export promotion efforts, and develop an export promotion strategy making use of the 25 initiatives outlined in the report.

Inspections

OIG issued reports during this reporting period on the results of inspections or followup reviews of Department of State and USIA operations at 13 overseas missions and one domestic bureau. There were also reviews of the U.S. Mission to the Organization for Economic Cooperation and Development, the U.S. Observer Mission to the United Nations Educational, Scientific, and Cultural Organization, and Africa Regional Services in Paris, France, and a review of the U.S. Mission to the United Nations.

Inspection of the U.S. Mission to the United Nations (ISP/I-98-25)

As a U.S. diplomatic mission on U.S. soil, the U.S. Mission to the United Nations (USUN) is a unique institution within the Department of State. The mission is supported through the Bureau of International Organization Affairs, and its chief of mission (or permanent representative) is accorded rank as a member of the Cabinet.

Management and leadership of USUN are complicated by the fact that the chief of mission is also directed by the President to divide his time among international trouble shooting, performing Administration tasks on Capitol Hill, and wearing a Cabinet hat. Frequent absences by the chief of mission from New York to fulfill those duties have placed a tremendous additional workload on the deputy permanent representative, the only career officer among the five persons at post with ambassadorial rank. Since the deputy has not

had the time to devote to management oversight, many administrative management operations are deficient, management controls are weak, and reporting officers are stretched to the limit due to an uncontrolled and poorly managed workload.

OIG found significant weaknesses in budget and fiscal operations. Poor controls were manifest, particularly in the management of the mission representation program. A number of questionable practices were evident, such as inappropriate use of the severely limited Foreign Service representation account. Information systems are poor even compared to mediocre Foreign Service systems operations elsewhere and require immediate attention. Ineffective personnel management has exacerbated the already poor morale of the Excepted Service employees (i.e., non-Foreign Service and nonpolitical appointees). Eliminating their Excepted Service status in favor of the Civil Service system is an idea whose time has

come. Foreign Service morale was affected by the mismanaged heavy workload and the inadequacy of housing allowances. While almost all other nations send their very best diplomats to serve on delegations to the UN, the United States, because of the inability to frame Foreign Service assignments with the advantages of either a Washington or overseas posting, must select from a small universe of career officers willing to bear the costs and uncertain career enhancement of a New York assignment.

The mission's largest substantive task involves UN reform, U.S. arrearages in contributions, and reduction of the U.S. contribution on a triennial scale of assessments. Although the United Nations has embarked upon a number of structural reforms over the past 3 years, there is a debate as to how well they are working. Meanwhile, the U.S. failure to pay up to \$1.4 billion in arrears has not only created a quasi-hostile attitude toward the United States among other UN countries, but could cost the United States its vote in the General Assembly if not addressed fully. Although this concern does not appear to affect U.S. efforts on major issues such as Iraq, it suffuses nearly all transactions that remain in the hands of the permanent delegations and not their capitals. If current efforts by the Administration and Congress fall short of a solution, the U.S. position at the United Nations likely will continue to degenerate.

Embassy Bangkok, Thailand and Its Constituent Post, and the U.S. Information Service Thailand (ISP/I-98-26)

Embassy Bangkok is one of the largest in the world, reflecting both the historical friendship between Thailand and the United States and the embassy's role as a regional center. More than 30 offices and agencies sit on the country team. Close interagency coordination has produced successes in counternarcotics operations and support for American business. The Consulate General in Chiang Mai makes a notable contribution to the counternarcotics effort. Thailand is coping with a severe economic crisis, and the embassy has been influential in crafting the U.S. response. The fall in property values has delayed the planned sale of some valuable embassy properties. The costly new chancery, built to Inman security standards, has had persistent problems with air conditioning and telephone systems that the embassy and Department are endeavoring to solve. Closure of consulates general in Udorn and Songkhla has made it more difficult to serve American citizens and report on developments outside Bangkok. A consular agency is needed in the resort of Phuket, and embassy reporting officers should travel more.

The State Department's Overseas Staffing Model does not fit the embassy precisely. The inspection disagreed with the cuts that the model would make in information management staff and the

increases it would provide in the administrative area. The Orderly Departure Program for Vietnamese refugees has operated from Bangkok for many years, but the planned move to Ho Chi Minh City in Vietnam should be accelerated. Funding responsibility should be shifted from the Bureau of Refugee and Migration Affairs to the Bureau of East Asian and Pacific Affairs.

Embassy Athens, Greece, and Constituent Post, and the U.S. Information Service Greece (ISP/I-98-27)

Advancing U.S. policy interests in Greece is a struggle against an unpromising policy environment. Shaped by a view that the United States "kept the colonels in power" in the late 60s and early 70s and has favored Turkey since then, Greek attitudes are a cause for pessimism among some American officials. The Ambassador, however, believes that only the United States can help the declining relations between Greece and Turkey. The Ambassador, a previous Department spokesperson, is spearheading the effort to make public the Greek cooperation, especially with the military. This is a risky venture with the known hostility of the press. The Ambassador and the recently arrived deputy chief of mission are credited with improving mission morale, bringing the local national staff into the "embassy family," and creating a new sense of community. In the general services

area, local national supervisors have gained a damaging degree of de facto control over their own areas of responsibility as well as other aspects of mission operations. This has serious implications for the success of ICASS, the new system for interagency cooperation, which provides administrative support. The post's management should give its full backing to an missionwide approach to this problem. The new leadership also needs to engage Consulate General Thessaloniki in the policy review now under way in Athens, so that the post can determine its resource needs.

Embassy Nicosia, Cyprus, and the U.S. Information Service Cyprus (ISP/I-98-28)

The Ambassador has made a negotiated end to the Greek-Turkish ethnic division of Cyprus his first priority and has turned Embassy Nicosia into a force to promote a two-zone, two-community federation. The role of the Special Presidential Emissary both enhances and complicates the Ambassador's degree of influence. The Ambassador balances the equa-

tion by regarding the special emissary as "the captain of the Cyprus team" and sees his own role as priming the policy pump. The Ambassador has also exerted his influence in managing the embassy's relations with representatives of the two ethnic sides, reaching out to both. His greatest contribution may be the added impetus he has given to establishing and nurturing bicommunal groups. This effort involves the Fulbright Commission, which administers USAID funds for scholarships and other exchanges. Some fear that greater involvement by the embassy in the work of the Commission may damage the Commission's acceptance by both sides. The Ambassador sees this as a necessary risk, given the high stakes for U.S. interests. USIA needs to add a second American officer to USIS Cyprus's staff to assist the public affairs officer, who has a plethora of programs, activities, and requests to manage. Unanticipated growth in the number of regional offices at the chancery has resulted in an unequal distribution of space, which the Department should study how better to utilize. Although some concerns remain, ICASS is working well.

Embassy Mbabane, Swaziland, and the U.S. Information Service Swaziland (ISP/I-98-29)

Embassy Mbabane has pursued a broad agenda with impressive ambition, creativity, vigor, and finesse. The sweep of the mission's activities and its record of concrete accomplishment are remarkable, all the more so given declining resources available and the departure of USAID, Peace Corps, and the Foreign Broadcast Information Service from Swaziland. USIS remains at post and actively participates in policy brainstorming, development of programs to advance U.S. goals, and formulation of the mission performance plan (MPP).

Despite heroic efforts in promoting U.S. influence and nudging Swaziland toward a civil society, future assistance seems virtually certain to decline. The Department of State should weigh carefully whether policy interests in Swaziland are of sufficient magnitude to justify the staff and resources assigned to Embassy Mbabane. U.S. rhetoric, enthusiasm, and initiative may already be out in front of U.S. ability to deliver what the Swazis have been led to expect. The U.S. Government should either make a commitment to provide adequate resources at current levels or, alternatively, prepare for a substantially more modest diplomatic profile in Mbabane or even coverage of residual interests from another country in the region.

Embassy Maseru, Kingdom of Lesotho (ISP/I-98-30)

The United States has never had vital economic or security interests in Lesotho. With the advent of a democratic, nonracial government in South Africa, the symbolic and practical value of Lesotho sharply declined. The rationale for a U.S. presence is now keyed to support for democratization, encouragement of economic reform efforts, and fostering of regional integration and peacekeeping efforts.

An experienced, activist ambassador has parlayed his personal credibility with the Lesotho elite, his role as Dean of the Diplomatic Corps, his negotiating skills, and his access to certain assistance funds into a crucial role as mediator and force for positive change. He has done this within established policy parameters, but with little guidance and feedback from Washington beyond reiteration of policy support for the principle of universality of diplomatic representation.

What is lacking is a rigorous assessment of the costs and benefits of maintaining a U.S. embassy in Maseru. Such an effort, strongly implied in the previous inspection report, is long overdue. In the meantime, there has been a steady dribbling away of U.S. resources without any conceptual framework for the reductions.

The Department should accordingly complete, prior to the end of FY 1998, a comprehensive analysis of the costs and benefits of maintaining an embassy in Maseru, versus pursuing U.S. interests through other modalities.

Embassy Ankara, Turkey, Constituent Posts, and the U.S. Information Service Turkey (ISP/I-98-31)

The avoidance of renewed conflict between Turkey and Greece remains a goal for Embassy Ankara, but it is no longer the overarching goal. Momentous developments, including the upsurge of Islamic fundamentalism in the region and the confirmation of major oil and gas finds in the Caspian basin and Central Asia, have made other goals equally important. After a fundamental reassessment of the relationship, the highest levels of both governments agreed in 1997 to a detailed agenda for bilateral cooperation. This enables the new chief of mission, who participated in the reformulation of policy before arriving in Ankara, to have clear and public objectives. He and his experienced deputy make a strong team. With 14 agencies and many U.S. military units in the country, the U.S. mission faces a major challenge of coordination, which it is meeting successfully. In 1997, the former chief of mission and the commander-in-chief Europe reached agreement on a memorandum of

understanding on military security and force protection. It was based on a pragmatic principle which has become known as the "Ankara solution" and which is now accepted in other force protection negotiations.

In a fragile democracy where human rights violations occur, USIS Turkey through its offices in Ankara and Istanbul supports efforts to promote democracy by working with nongovernmental organizations. An outstanding administrative counselor and his impressive staff have enhanced the mission's ability to perform its responsibilities, although problems exist with the telephone system, travel policies, information management, and housing. In the mission's three consular sections, morale ranges from poor to good. In Ankara, the move into a new building has been temporarily unsettling. In Istanbul, urban woes, an obsolete building, extensive construction, a heavy load of visitors, and personnel shortages have had a negative effect, although the consulate general represents the United States well and has done good reporting on banking, commerce, and politics from the country's largest city. Consulate Adana is united under a dynamic new principal officer. Its contributions to promoting the rights of the Kurdish minority population reinforce the decision in 1993, based on budgetary constraints, to keep it open and instead close the consulate in Izmir.

Special Embassy Program (ISP/I-98-32)

OIG conducted a comprehensive inspection of the ability of this program to control costs at the 56 Special Embassy Program (SEP) posts, one-third of all U.S. embassies. SEP posts are generally ready to perform their limited missions. The lack of a clearly defined, codified program combined with a lack of adherence to guidelines, has led to confusion about what the SEP is, how it works, and what it is supposed to accomplish. A thoroughly defined and regulated program, strongly supported by management and coordinated closely with all bureaus, could promote the results envisioned by the Department.

Through the use of a questionnaire and visits to nine embassies, OIG evaluated the diplomatic readiness and overall effectiveness of these posts whose diminutive staffing often belie their importance. Specifically, we recommended that the Department provide more support to the smaller posts in terms of staffing, training, program definition, tasks, and centralized translations of various documents. Many problems at the SEP posts relate to different rankings of the mission priorities by various U.S. Government agencies. The staffing levels are correspondingly slanted based on the role of the post, causing many of the officers to be overworked, particularly in the administrative area. Also, because many of the post personnel are forced to perform duties outside of their normal specialties, there is a need for more cross-training. Recognizing that many common problems are exacerbated in the smaller posts, the Department concurred in OIG recommendations that the program receive greater support.

Embassy Pretoria, Republic of South Africa, and the U.S. Information Service South Africa (ISP/I-98-33)

Embassy Pretoria and its constituent posts play a critical role in support of South Africa's political, economic, and social transformation. Embassy management excels at articulating a broad mission vision and at mobilizing all mission resources on its behalf. During the apartheid era, the mission was rather small and oriented

toward classical reporting functions. With the advent of a multi-racial democracy in South Africa, Embassy Pretoria has become a highly operational post focused on management of a friendly, expanding, and complex bilateral relationship. Growing pains are evident.

The U.S.-South Africa ("Gore-Mbeki") Binational Commission process is the premier mechanism for prioritizing and managing bilateral relations. While the process has yielded significant achievements, it is time to take stock and perhaps to scale back the scope of the meetings and frequency to one per year.

The Ambassador's corporate model for managing the mission has been highly successful, at the country team level, in forging consensus and teamwork on behalf of a shared vision and program of action. Morale problems exist at lower levels, a situation exacerbated by the Ambassador's necessarily lengthy stay in Cape Town during the annual shift of national capitals for the parliamentary session. The current approach to staffing of the switch to Cape Town entails long-term temporary-duty assignments, maintenance of a residence in each capital for eight officers, a loss of effective managerial oversight in some areas, an attendant deterioration in efficiency and morale, and higher costs than warranted. Adjustments are recommended.

Embassy front office oversight and attention to management controls must be strengthened. Chief of mission certifications addressing the adequacy of management controls did not portray actual conditions. Controls over expendable and nonexpendable supplies at Embassy Pretoria and its constituent posts are lacking; causes and solutions for a reported inventory loss of over \$800,000 are yet to be determined. Financial management operations must be improved so as to provide acceptable service to customers, and to restore embassy credibility with vendors.

The Ambassador appreciates the need for public diplomacy, and excels at this facet of his job. USIS public diplomacy programs

and strategies are well integrated into the work of the mission, and crafted so as to advance the goals and objectives stipulated in the MPP.

Consulate General Durban's political raison d'être may diminish following the 1999 national elections—after which the Department of State should undertake a comprehensive review of U.S. interests to determine if the post ought to be closed.

Embassy Damascus, Syria, and the U.S. Information Service Syria (ISP/I-98-34)

The impasse in the Middle East Peace Process has brought a concomitant stalemate in the U.S.-Syrian relationship, with little or no prospect of significant progress on arms control, terrorism, and other issues on the U.S. agenda. The sanctions regime applied to Syria because of the government's support to terrorist groups further limits areas for cooperation. No longer a focus of high-level shuttle diplomacy, the embassy should continue to adjust its efforts and resources to this reality, while recognizing the central importance of preserving dialogue with Syria on any Middle East peace settlement. The Department and embassy need to address several real property

issues, including sale of a property purchased 40 years ago as a possible chancery site and plans for the best use of a newly acquired building.

The consular section provides excellent service to the public. Lebanese visa applicants constitute 30-50 percent of the workload. The section should also focus on fraud, staffing imbalances, cramped working conditions, and inadequate telephone service. USIS Syria should restructure its organization, eliminating two of four American positions. The embassy and USIS also need to establish a more integrated approach to public diplomacy.

Embassy Beirut, Lebanon, and the U.S. Information Service Lebanon (ISP/I-98-35)

Embassy Beirut is severely constrained by security precautions, but it is surprisingly active and morale is impressively high. It endeavors to engage Lebanon in the Middle East Peace Process and to pursue issues such as counterterrorism and law enforcement, support of U.S. commercial interests, and the protection of American citizens. The latter are visiting Lebanon in increasing numbers now that the U.S. no longer prohibits the use of U.S. passports for travel to Lebanon.

Since reopening in 1991, the embassy has been absorbed in simply keeping itself afloat administratively. It now must address

systematically the future interrelationship between housing availability and personnel issues such as tours of duty and a consistent policy on accompanying spouses. The Department and embassy need to address major real property issues, including sale of the Yarze ambassadorial residence and the unused West Beirut chancery site, as well as recognizing that security concerns also dictate that the embassy remain at its current site.

Embassy Luxembourg, Luxembourg (ISP/I-98-36)

Luxembourg's membership in NATO and the European Union (EU) makes necessary the maintenance of a U.S. mission in this small country. Luxembourgers are predisposed toward the United States, but their cooperation cannot be taken for granted. The Ambassador has devoted much of his and the mission's time and efforts to ensuring that it is not. A decision about future American staffing depends greatly on the background, interests, and management style of the next chief of mission. OIG agreed with four of the embassy's goals—increasing Luxembourg cooperation with the United States in pursuing common interests in the EU, promoting American business, enhancing the defense relationship, and protecting American citizens. Among many contributions the Ambassador has made, the most important was his intense push for support

for the embassy during Luxembourg's EU presidency in the last half of 1997. He also contributed to the much-lauded performance of the embassy by making good use of his close relationships with the leaders of the Luxembourg Government. The inexperience of the front office in managing an embassy has led to a highly personalized and sometimes inefficient way of running the mission. The deputy chief of mission has grown into a job for which he was not formally trained. Consular operations could be improved through the provision of more information to clientele. A review of staffing and hours of operation should be undertaken. The administrative section is functioning well, although attention should be given to improving management controls for telephone services and property inventories.

Embassy The Hague, Netherlands, Its Constituent Post, and the U.S. Information Service Netherlands (ISP/I-98-37)

An uncommonly congenial policy environment allows Embassy The Hague to pursue with the Netherlands Government an active diplomatic dialogue that covers all major world issues. Access is extraordinary. Economic and commercial ties and common values strengthen the relationship. It cannot be assumed, however, that changes taking place in European and Atlantic institutions will have no effect.

The embassy is well led. Mission performance planning with the new strategic concepts and budget planning processes has been difficult. Much of this year's exercise was a trial period. Inter-agency coordination of military affairs and law enforcement do not have major problems, although Dutch law impedes cooperation in some law enforcement sectors.

Two embassy sections, which work exclusively with international organizations but are also accredited to the Dutch Government, are well integrated into the mission. The separate political and economic sections deliver a high-quality product under tight deadlines. Consulate General Amsterdam is the consular section of the embassy. Correctly sized to meet the demand for its services, most of which originate in Amsterdam, and to carry out a useful representational role as well, it could also support the embassy's trade promotion. Consular services are outstanding, but procedural improvements could increase productivity and spread the workload more equitably.

USIS is fully integrated into mission activities. It conducts a full range of programs reaching out to diverse institutions in academia, the media, and think tanks. The embassy home page is a model of technology in the service of public diplomacy. The international visitors program should de-emphasize government officials to include other opinion makers. The

NATO tours should be abandoned. A highly praised American staff oversees an efficient administrative operation with FSNs of generally high quality. Budget and fiscal operations reflect the limited experience of some employees and are complicated by unclear lines of authority.

All agencies participate in ICASS. Information management is efficiently provided by a staff one fewer than the post believes necessary for the workload. Considerable savings and opportunities to upgrade circuits have been achieved in negotiations with the Netherlands telephone company. Management controls need tightening in some of the administrative areas in The Hague and Amsterdam and in consular operations in Amsterdam. Fulbright Commission management also needs improvement.

Embassy Prague, Czech Republic, and the U.S. Information Service Czech Republic (ISP/I-98-38)

The Czech Republic is busy shedding vestiges of its communist past and adjusting to its divorce from Slovakia. The embassy plays a mentoring role in support of Czech efforts to consolidate democracy, humanize their capitalistic system, and facilitate their NATO membership. Mission management is strong and highly focused, with the experienced and energetic ambassador relying on an able deputy to provide day-to-day leadership. Policy implemen-

tation is effective. Military affairs have unusual dimensions (Czech admission to NATO) and should be more closely coordinated. Reporting by the combined political-economic section covers essentials, provides analysis, and is of good quality. Greater breadth and depth of reporting should be possible with a broadening of parameters and the arrival of additional officers. The advocacy function involves providing advice and assistance to the development of Czech governmental institutions. In the past year, the innovative consular manager has turned around the public image of the consular section and improved the work environment by implementing several consular "best practices." Additional planned changes should further improve customer service and address management control concerns. Public diplomacy encompasses a varied and balanced program well calibrated between fulfilling U.S. goals and responding to Czech requests.

Though otherwise productive, relations between USIS and the embassy have been colored by a disagreement about whether USIS should move from commercial quarters into empty space in the chancery. OIG advised the embassy to revise its space proposal to include a nearby U.S. Government-owned house and urged USIA to agree to the move. Overall administrative performance and morale are good. The complexity of the Czech banking system and a number of other difficulties arising from the transition to a market economy justify a

full time financial management position. The installation of A Logical Modernization Approach (ALMA), the Department's unclassified systems modernization project, will meet some of the post's communication needs. Although no major management control deficiency was noted, some corrections are necessary in budget and fiscal, personnel, and consular operations.

U.S. Observer Mission to the United Nations Educational, Scientific and Cultural Organization (UNESCO), Paris, France (ISP/I-98-39)

The United States withdrew from UNESCO in 1984. In 1986, the United States established an observer mission under an FS-02 Foreign Service officer, which has been effective in promoting U.S. interests. General Accounting Office reports in 1992 and 1993 documented significant management reform in UNESCO, and a 1993 interagency working group recommended that the United States rejoin the organization. Budgetary constraints have frozen the process. Even so, the acknowledged American lead in virtually every UNESCO area enables the United States to exert influence through participation in various program-related meetings by American officials with specialized expertise. The incumbent observer has done an excellent job of securing American access and suggesting strategies for advancing U.S. positions. However, UNESCO member

states criticize the selective nature of our observer representation, arguing that the UN system is not supposed to function on an "a la carte" basis. The savings to the United States of nonmembership lies in foregone UNESCO assessments, but the cost of nonmembership shows in foregone influence on the structure and management of the organization. The ultimate risk is that nonmembership in UNESCO may diminish opportunities to press American commercial interests and cultural values in sensitive new areas such as bioethics and the form and content of the global information infrastructure.

Africa Regional Services, Paris, France (ISP/I-98-40)

The Africa Regional Services (ARS), Paris, France, which provides products and services to African and Middle Eastern posts, has retained its relevance to clients and audiences for 35 years. It was almost abolished, but survived because of strong protests from the posts it serves and the persuasive efforts of its director. Since 1996, ARS Paris has weathered drastic budget reductions of 40 percent in its general operation expenses, and cuts of one of three American officers plus 22 of 39 FSN positions. OIG found apprehension about possible further, perhaps fatal, cuts, but they also found a surprisingly great degree of enthusiasm about the work on the part of a highly motivated staff. The ARS Paris formula of providing French

language books, pamphlets and periodicals, videos, and bibliographic services, as well as French speakers and performing artists, has assisted posts to meet their program goals and objectives. The testimony of the posts, the quality and relevancy of the materials, the continuing smooth and steady pace of the distribution of the products and services, lead to the conclusion that ARS should be retained, and that it should remain in Paris, where resources are located.

Eliminating duplication by consolidating ARS Paris and USIS France administrative functions could achieve management efficiencies for both. A review of these administrative sections revealed that the combined workload could be handled with one less staff person. Estimated savings of approximately \$78,000 in annual salary costs as well as additional savings from the elimination of duplicate services could be achieved. Approximately \$480,000 of recycled book program funds have accumulated over several years. These funds, legislatively restricted to book program use, will be used to purchase books already in print.

U.S. Mission to the Organization for Economic Cooperation and Development, Paris, France (ISP/I-98-41)

The OECD is the forum of choice for the United States to address important international economic and environmental issues. The U.S. mission's work has, for example, produced an agreement among key trading partners restricting bribery, but the post suffers from poor inter-agency relations. Much of this stems from an unsuccessful merger of the science and economic sections following the abolition of the science counselor's position in 1997. Until that issue is resolved, proposals for a new position—not supported by a hard analysis of workloads or the MPP—should not be approved. Post management has a clear sense of strategic purpose, but has not yet knit the representatives of different agencies—assigned there after the State Department downgraded the economics, environment, science, and technology function and reduced Foreign Service positions—into a single team. As at other international organizations, efforts to reduce the U.S. share of the OECD's budget generate resistance and require major mission efforts.

Embassy Paris, France, Its Constituent Post, and the U.S. Information Service France (ISP/I-98-42)

Relations with France are vital to U.S. interests and require careful handling as France resists American "hegemony." Despite its sprawling size, the embassy is a smoothly functioning mission with high morale. It is being given a clear, strategic policy focus by a highly qualified new ambassador and deputy chief of mission, whose close cooperation is one of the mission's strong points. An arrangement under which a State Department minister-counselor coordinates the work of the six economic agencies at post has successfully reduced the frictions that the 1993 inspection found between the Treasury and State Departments. The mission's greatest weakness stems

from the abolition in 1997 of its internal political section, which has left the post exposed to possible surprise concerning French political developments, a gradual erosion of essential contacts, and an inability to cover adequately the important labor function. The inspectors support the new ambassador's initiative to reestablish a limited U.S. presence outside Paris, in areas emerging as centers of new, transborder economic regions in an increasingly integrated Europe. The economic section will have to take on major new responsibilities in the financial area if Treasury withdraws its attaché as planned in 1999. By contrast, the political section is

not adequately staffed to assume the work of a Defense Department political-military unit if it is withdrawn by the Defense Department as planned in 1999. Consulate General Strasbourg should be made an embassy office, as its most important function is not consular but contact with the Council of Europe. The principal officer's residence in Strasbourg is too large for the role played by the consul general, and should be sold. Administrative areas, management controls and ICASS all appear to be in good shape.

Bureau of East Asian and Pacific Affairs (ISP/I-98-43)

The fundamental goal of the United States for the East Asia and Pacific region remains the promotion of a peaceful, stable, and prosperous Pacific community, friendly to U.S. interests and values. In pursuing that goal, the Bureau of East Asian and Pacific Affairs is working hard and well to address many challenges. The Asian financial crisis has rapidly turned the region from an economic power to a focal point of deep and on-going economic and financial concern and has shaken governments from Japan to Thailand and Indonesia. Although primary responsibility for dealing with the financial crisis lies with the Department of the Treasury, the bureau has played a key supporting role, particularly through

the energy and influence of the Assistant Secretary and the efforts of the Ambassador for Asia-Pacific Economic Cooperation (APEC). At the same time, the bureau is endeavoring to promote democracy and human rights in China, Burma, Cambodia, and elsewhere, while maintaining stability on the Korean Peninsula and Taiwan. The bureau is also active in helping Asia cope with some of the world's worst environmental problems.

Internal communication needs to be strengthened. The Assistant Secretary's peripatetic, intense, and highly personalized operating style, combined with a reluctance to have his principal deputy act fully as his alter ego, has led to deficiencies in vertical communication that often leave offices unsure of broader policy goals and that have lowered bureau morale.

The bureau needs to strengthen its economic capability. Its Economic Policy Office, which now handles only APEC, should provide hard economic analysis, and the Ambassador to APEC should be given formal responsibility for regional economic and commercial issues.

Additional staffing and reorganization are required in the Executive Office to cure weaknesses in the personnel and information management areas as well as in controls over purchasing and property management.

Security and Intelligence Oversight

During the reporting period, the OIG Office of Security and intelligence oversight (SIO) completed audits on the effectiveness of the Secretary of State's Protective Detail, declassifying State Department documents, and management of access to sensitive compartmented information. SIO also issued 26 inspection or followup reports. In addition, after the bombings at the embassies in Kenya and Tanzania, we issued a report on bomb procedures at overseas facilities, which could save lives should another incident occur. Because SIO reports discuss specific security vulnerabilities of the Department and its posts, only unclassified synopses of the inspection, followup review, and audit findings are included in this semiannual report. Details of all SIO reports are found in the classified annex to this report, which has limited distribution.

AUDITS

Secretary of State's Protective Detail (SIO/A-98-27)

OIG conducted an audit to evaluate the effectiveness of protective security provided to the Secretary of State. The principal focus of the audit was the Secretary's Protective Detail within the Bureau of Diplomatic Security. A number of recommendations were made concerning staffing, training, equipment, and emergency response procedures.

Management of Sensitive Compartmented Information Access (SIO/A-98-49)

OIG conducted this audit to evaluate the State Department's effectiveness in adjudicating employees' access to sensitive compartmented information (SCI) under provisions of the Director of Central Intelligence's directives.

A number of recommendations were made concerning the policy and procedures used to manage SCI access and to define the authorities and responsibilities of the offices which have a role in the administration of the SCI access management process.

Declassifying State Department Secrets (SIO/A-98-50)

The State Department has established a successful program for the automatic declassification of documents as mandated by Executive Order 12958, "Classified National Security Information." An OIG review of this declassification program was requested by a Member of Congress. The Department has released approximately 97 percent of 48.7 million pages reviewed thus far. However, OIG found that the Department could implement the program in a more economical and effective manner. OIG recommended that the Under Secretary for Management: use overcomplete Foreign Service officers to reduce the Department's use of retired annuitants as declassifiers, coordinate with senior CIA management to facilitate the declassification of documents that reference Agency phrases and acronyms, and reassess the Department's declassification guidelines and their application to facilitate the declassification of documents that are of questionable sensitivity.

INSPECTIONS

Embassy La Paz, Bolivia, and Constituent Posts (SIO/I-98-20)

Embassy La Paz moved into its present facility in 1994. This move improved overall physical security, although a few deficiencies remain. With the correction of these deficiencies, the post's security posture will be greatly enhanced.

Embassy San Jose, Costa Rica (SIO/I-98-21)

Embassy San Jose needs to ensure that all mission agencies are treated equally regarding home-to-office transportation and the use of armored vehicles. The emergency action committee should establish baselines of protection, not individual agencies.

The local guard contract needs to be administered with the aim of controlling costs, not just the security performance of the contractor and its employees. The post has incurred considerable unjustified costs due to inadequate monitoring of the contract, and has also incurred considerable expenses on local guard vehicles because it has not been given enough flexibility to purchase vehicles and spare parts on the local market.

Several physical security problems need to be rectified within the chancery. These problems result from the chancery's design, which was done while the present security standards were being established. Most of the recom-

mended improvements can be done at reasonable cost and with minimal operational disruption.

The radio program needs to be updated to meet emergency preparedness challenges at an earthquake-prone area. Present coverage is inadequate and spare parts are difficult to obtain.

Foreign National Employee Program (SIO/I-98-22)

This annual review is designed to ensure that adequate security safeguards are in place with respect to foreign national employees (FNEs) at Embassy Moscow and constituent posts. Following a decision in 1992 to rehire FNEs (primarily Russian nationals) to work in non-sensitive positions at Embassy Moscow, the number of such employees has grown.

Embassy Tegucigalpa, Honduras (SIO/I-98-24)

Overall, the security program at Embassy Tegucigalpa is very well managed. The security briefing for new arrivals is excellent, and the well-managed residential and local guard programs contribute to a relatively low incidence of crime against embassy personnel.

Embassy Port of Spain, Trinidad and Tobago (SIO/I-98-25)

Embassy Port of Spain needs to improve many areas of its security program. Many of the deficiencies in its security program are the result of staffing gaps and unanticipated curtailments of the assignments of key embassy personnel.

Embassy Brasilia, Brazil (SIO/I-98-28)

Embassy Brasilia is implementing effective programs to counter the threat of crime, which is rated at the critical level in both Sao Paulo and Rio de Janeiro. It is also expanding the role of the senior regional security officer (RSO) to manage the missionwide security program more effectively. Due to life safety issues, however, the serious deterioration of the embassy's office building has presented significant management problems in terms of both underutilization of space and, more recently, serious structural deterioration.

Embassy San Salvador, El Salvador (SIO/I-98-29)

One of the most realistic security problems facing Embassy San Salvador is the ability to plan for and oversee the aftermath of a natural disaster. El Salvador is an earthquake-prone country that suffered a devastating earthquake in October 1986 that destroyed much of the downtown area of San Salvador and rendered the then U.S. chancery unusable.

The Peace Corps needs to have a formal set of procedures established for notifying the RSO and post management when serious crimes have been directed against Peace Corps volunteers. Although the present Peace Corps director has agreed to work closely with post management, long-term procedures need to be in place that are independent of the good working relationships of future post officials and Peace Corps directors.

Embassy Santiago, Chile (SIO/I-98-31)

Based on a review of the emergency preparedness readiness questionnaires sent to post prior to the inspection, the inspectors were troubled by the fact that approximately 30 percent of American officers claimed not to know what to do if cut off from the embassy in the event of a natural disaster.

Although the move to the present chancery in 1994 corrected a number of previously existing problems in the former building, problems still exist due to design flaws. For example, because visitors, visa applicants, and Americans seeking assistance enter the compound by a single entrance, frayed nerves sometimes result when people cut in line.

Radios at Embassy Santiago need to be updated. In an earthquake-prone country such as Chile, a viable radio net is a necessity, not a luxury.

Embassy Kingston, Jamaica (SIO/I-98-38)

Embassy Kingston is doing an excellent job of managing its most serious security threat—crime. The per-capita murder rate of Kingston is the highest in the Western Hemisphere; more than five times that of the United States. Yet, mission personnel are for the most part insulated from this violence, largely because of the embassy's excellent security briefing program, close monitoring of areas of high criminal activity, and good residential security that includes both static guards and mobile patrols. The other key areas that came out of this inspection are not security deficiencies, but rather areas where cost savings can be realized. These involve the embassy's Marine Security Guard detachment and the local guard program.

Embassy Guatemala City, Guatemala (SIO/I-98-42)

Embassy Guatemala City has too many official off-site locations; these locations represent a host of agencies with different security need and security profiles. A consolidation of these offices into fewer locations would make the security program more manageable.

Bomb Procedures at Overseas Diplomatic Facilities (SIO/I-98-43)

In the aftermath of the bombings of Embassies Nairobi and Dar es Salaam, it became apparent that a change in embassy bomb procedures could save lives and limit casualties. This report recommended augmenting embassy procedures by adding some specific new measures for responding to vehicle bomb attacks.

Embassy Buenos Aires, Argentina (SIO/I-98-47)

Embassy Buenos Aires has done a good job of meeting the challenge of operating in a high crime environment. The residential security program has adjusted to the challenge of existing in a large metropolitan area with a rising level of

crime. The post has moved approximately 70 percent of American officers into apartments and plans to install central alarm monitoring systems in the approximately 35 single-family houses in the housing pool. The post has good 24-hour roving patrol coverage from the local guard contractor.

Embassy Santo Domingo, Dominican Republic (SIO/I-98-48)

Embassy Santo Domingo is doing an excellent job of managing its security programs, considering the difficulty of the task and its shortage of security personnel. For a mission of its size, the embassy has an inordinate number of facilities separate from the chancery. This makes security oversight much more difficult and compounds the security program. Improvement is needed in emergency preparedness, in particular, hurricane preparedness.

Status Report on Moscow Secure Chancery Facilities Project (SIO/M-98-44)

This report summarized issues identified during the Moscow Oversight Team's review of the Secure Chancery Facilities construction project from October

1997 to May 1998 and described the most significant areas of oversight. Overall, the construction project is proceeding satisfactorily. The general contractor's current estimate shows a project completion date of October 1999. The report noted several issues requiring action, and recommendations were made as necessary.

Status Report on Transition and Master Planning for the Moscow Secure Chancery Facilities (SIO/M-98-45)

This report summarized the Moscow Oversight Team's review of the Department's planning for the occupation and future use of embassy facilities in Moscow, Russia, done in conjunction with OIG's regular, periodic review of the construction of the construction from October 1997 to May 1998. The report focused on three interrelated and increasingly complex management challenges: the commissioning of the new chancery, the move into the facility, and planning for future post operations. The report made recommendations to address several issues requiring action in the near term before the new chancery is completed.

FOLLOWUP REVIEWS

Embassy Baku, Azerbaijan (SIO/C-98-26)

A security oversight followup review of Embassy Baku found that security at the post had improved considerably since the original inspection report in November 1995. A security-conscious Ambassador, a trained post security officer, the establishment of a 24-hour cleared American presence, and a responsive RSO in Tbilisi all contributed to an overall upgrading of security at the post.

American Institute in Taiwan, Taipei, and Constituent Post (SIO/C-98-33)

Security at the American Institute in Taiwan (AIT), Taipei, and its constituent post Kaohsiung is excellent. Action taken by AIT and the Department in complying with recommendations from the 1996 security inspection was commendable. All of the formal recommendations and almost all of the informal recommendations were closed. The inspectors found the security officer to be knowledgeable, effective, and proactive in addressing AIT's security concerns and noted senior management support for the security program.

U.S. Interest Section of Havana, Cuba (SIO/C-98-37)

The U.S. Interests Section, Havana, and the Department have made excellent progress in correcting security deficiencies identified in the 1996 security oversight inspection report. The resulting improvements, in concert with the security enhancements of the total renovation of the chancery, the continued strong security leadership of the principal officer, and the highly professional skills of the RSO, have together built a sound and well-managed security program.

Embassy Seoul, Korea (SIO/C-98-39)

Embassy Seoul's security posture has improved substantially since the 1996 security oversight inspection. Overall action by both the embassy and the Department in complying with the recommendations from the inspection report was excellent.

Embassy Mexico City, Mexico, and Constituent Posts (SIO/C-98-41)

Overall action by Embassy Mexico City and the Department in complying with the original 1995 inspection report's recommendation was moderate. Many recommendations were closed, but some issues identified in 1995 still exist in 1998.

Investigations

The work of the Office of Investigations is generally reactive in nature and is generated by multiple sources, among them the OIG's Hotline and referrals from employees, private citizens, and other law enforcement organizations. Based upon complaints or allegations of suspected wrongdoing, the Office of Investigations opened 55 criminal investigations, referred 11 investigations for criminal prosecution, and referred 8 administrative reports for disciplinary and/or administrative action during this reporting period.

Visa Fraud

OIG received information in December 1997 that a foreign national in Garfield, New Jersey, was involved in the business of selling fraudulent H1-B nonimmigrant visas to illegal aliens. Legitimate H1-B visas are issued to individuals with specialized skills. A joint investigation was initiated with the U.S. Customs Service, U.S. Immigration and Naturalization Service (INS), and the U.S. Social Security Administration's Office of Inspector General. The investigation developed evidence that the subject, posing as a financial and legal consultant in a storefront office, was manufacturing fraudulent H1-B visas, as well as INS entry stamps and INS employment authorization stamps, and was inserting them into passports supplied by the subject's customers. The passports containing the fraudulent visas would then be used as documentation in support of applications for social security cards and drivers licenses. The subject generally charged \$1,800 per customer.

In July 1998, search and arrest warrants were executed at the subject's offices. Documentation obtained to date indicates evidence of more than 60 instances of visa fraud. In at least 48 of these cases, it was also established that social security accounts had been established and social security numbers had been issued based upon this fraudulent documentation. The subject was released on \$50,000 cash bond, and judicial proceedings are pending in U.S. District Court for the District of New Jersey. (98-030)

In April 1998, OIG received information that an individual residing in Hartford, Connecticut, was involved in arranging "marriages of convenience" for illegal aliens currently in the United States and for others wishing to obtain visas to enter the United States. OIG, working with INS and the Federal Bureau of Investigation (FBI), identified the marriage broker as a native of Jamaica and a naturalized U.S. citizen. The individual

arranged at least 30 sham marriages between aliens and U.S. citizens over a 5-year period and charged a fee of \$6,000 to arrange each marriage. The services provided included preparing petitions for visas with false documents to support them. These documents included false records of employment, false addresses, false lease agreements, false social security cards, false drivers licenses, and false tax returns. The marriage broker would introduce alien customers to U.S. citizen marriage partners and prepare the visa packages for presentation to INS or to whichever U.S. Consulate from which a visa was being sought.

In July 1998, the marriage broker and nine co-conspirators were

indicted and arrested for conspiracy to commit visa fraud. Two search warrants were also executed at the time of the arrests. Judicial proceedings are pending in the District of Connecticut. (98-092)

In April 1996, OIG received information that a resident of New York City was illegally obtaining nonimmigrant tourist visas at the U.S. Consulate, Georgetown, Guyana. It was also reported that the individual was selling fraudulent documents and U.S. passports as well as smuggling aliens into the United States from Guyana through JFK International Airport. In a joint investigation with INS, OIG determined that the individual, a Guyanese national and lawful permanent resident of the United States, the individual's spouse,

and at least three other individuals conspired to smuggle aliens into the United States. It was also determined that the Guyanese national and spouse were selling counterfeit alien registration cards.

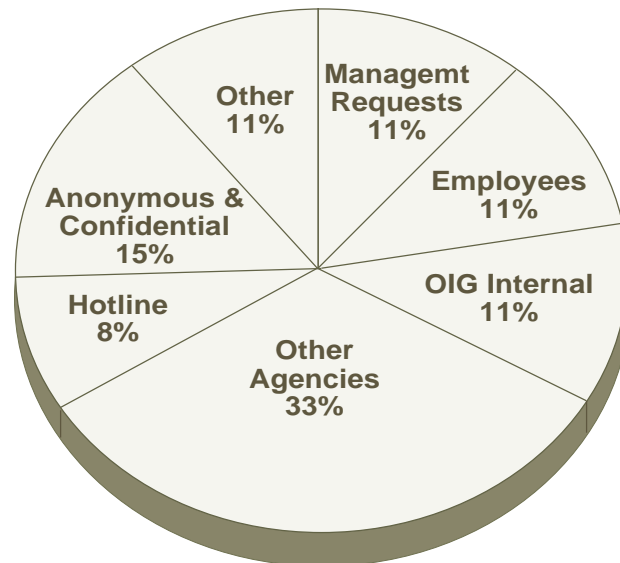
In July 1997, a search warrant was executed at their residence. The Guyanese national was arrested along with three other conspirators, all of whom were Guyanese nationals.

In October 1997, the Guyanese national and spouse pleaded guilty to violation of alien smuggling. In July 1998, it was reported that sentencing of the Guyanese national was delayed pending completion of a cooperation agreement. The spouse was sentenced to 3 years' probation. (96-097)

Types of Cases*

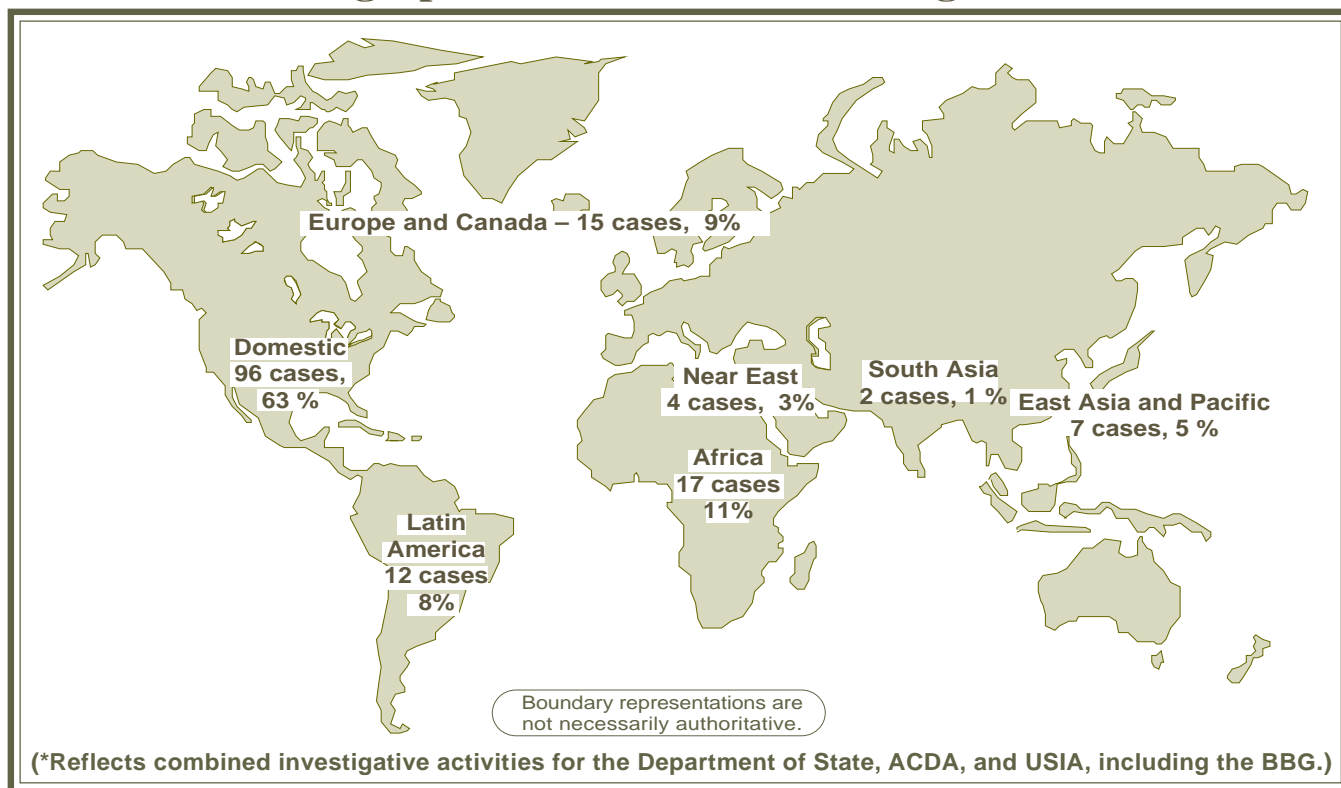


Sources of Allegations*



*(Charts reflect combined investigative activities for the Department of State, ACDA, and USIA, including the BBG.)

Geographic Distribution of Investigations*



Theft

During a joint investigation between OIG and a post regional security office, it was determined that generators, valued at \$32,000 had been stolen from the general services office warehouse. After coordination with local police, one FSN employee, two local guards and a local citizen were arrested for theft. Three of the stolen generators were located. OIG examination of the circumstances of the theft revealed that eight FSN employees had not taken proper steps to safeguard U.S. Government property, resulting in their termination. (98-057)

Embezzlement

In response to a request from a European post, OIG conducted an investigation into allegations that a former FSN employee had received questionable payments from landlords and vendors and had otherwise misused government funds. After determining that the statute of limitations in the foreign country prohibited criminal charges from being brought by local law enforcement authorities, OIG coordinated efforts with post officials to find alternative ways to seek reimbursement. The post's administrative officer, in consultation with OIG, successfully negotiated

a legally binding restitution agreement, and the individual reimbursed post \$73,858. (97-108)

False Identification Documentation

An OIG investigation was initiated based on information regarding an attempt by an individual to obtain a substitute title for a motor vehicle, using a Diplomatic Drivers License (DDL) and false documentation, at the Department of Motor Vehicles in Alexandria, Virginia. DDLs are issued by the Department to foreign diplomatic personnel residing in the United States. While the Virginia officials

were initiating checks on the suspicious documentation, the individual fled their premises, leaving the DDL and documentation behind. Department records disclosed that a DDL had been issued to the foreign diplomat named on the DDL, but the picture and signature on the DDL were not of the same person. The vehicle was traced through a series of motor vehicle dealer transactions resulting in locating the individual at his place of employment in Baltimore, Maryland. The individual confessed and agreed to cooperate with the investigation in exchange for a plea arrangement. The individual provided information which implicated a former contract employee in the Office of Foreign Missions, Motor Vehicles Division, as the provider of the DDL, however OIG investigation was not able to corroborate this information. On September 8, 1998, the individual pleaded guilty to a Class A misdemeanor offense, of possessing a false identity document, and was sentenced to 60 days' incarceration. (96-091)

Department Official Cleared of Wrongdoing

Information was received alleging that a Department of State official used office telephones and government time to establish a scholarship fund in the name of a friend at a private university, and that the official received season tickets to sporting events at the university. OIG developed no evidence that the official used government telephones or official time to help establish the scholarship fund. OIG also determined that the official paid by personal check for the season tickets to the university sporting events. The investigation determined that information from the informant inaccurately portrayed wrongdoing on the part of the official. (98-052)

Employee Misconduct

In July 1998, an employee received a 5-day suspension as a result of receiving unauthorized gifts from a local businessman while stationed at an overseas post. An OIG investigation determined that the employee received numerous gifts, including membership in a local health club and a case of expensive wines, from a hotel manager who routinely conducted business with the post. (97-106)

An OIG investigation determined that an employee, while stationed at an overseas post, had utilized petty cash funds to purchase tools and several items for personnel use. It was also revealed that the employee, without authorization, directed that several light fixtures be installed in the employee's government-provided residence. Payment for the purchase and installation of the light fixtures was also made with petty cash

funds. On August 19, 1998, PER issued a final decision letter suspending the employee for 5 days based upon the employee's poor judgment and the unauthorized use of government property. (96-036)

An OIG investigation determined that a Foreign Service officer used an official telephone to place personal calls from the United States to Africa and Europe. The Department of Justice declined to prosecute the officer. The officer agreed to repay the U.S. Government \$4,427 for the cost of the telephone calls and the amount of the officer's salary for official time spent placing the calls. An Administrative Report was presented to the Director General of the Foreign Service for appropriate administrative action on June 25, 1998. Disciplinary action from PER is still pending. (98-075)

An OIG investigation was initiated based upon allegations that a senior Department official was not truthful in official testimony given to a committee of the House of Representatives. The investigation determined that the senior official displayed poor judgment in his testimony before the committee. On July 31, 1998, PER issued a letter of reprimand to the senior official citing the officer's poor judgment in giving testimony. (96-094)

An OIG investigation determined that a senior Department official at a Latin American post made inappropriate sexual advances to the

spouse of a U.S. military officer and one other female embassy employee. Investigation disclosed that the officer also had an inappropriate relationship with a female member of another U.S. Government agency. A Report of Investigation was forwarded to PER and resulted in a final decision by the Director General to impose a 20-day suspension for the officer. (97-052)

The Bureau of European and Canadian Affairs provided information to OIG alleging that an employee submitted a fraudulent claim for separate maintenance allowance (SMA). The investigation determined that, at the time the claim was submitted, the employee was legally separated. The Department of Justice declined criminal prosecution. An administrative report was presented to the Director General of the Foreign Service for appropriate administrative action. On May 8, 1998, PER proposed a 10-day suspension for the employee, who was, in addition, directed to repay the U.S. Government \$5,533 for the amount of SMA payments received. (97-111)

OIG initiated an investigation at a consulate located near the U.S./ Mexico border in December 1997, based upon information indicating that an FSN shipment supervisor may have been involved in forging signatures on official documents. Investigation established that signatures had been forged on numerous receipts over several months, purportedly

documenting that the consulate had paid a contractor in cash for services rendered. It was also determined that the contractor had not been paid. When interviewed by OIG investigators, the shipment supervisor acknowledged having forged the contractor's signature on at least 14 receipts. After a report of investigation was reviewed by appropriate officials, the supervisor was terminated from employment.

OIG also received allegations that two other FSN employees at the same consulate had used a government vehicle for personal, and possibly illegal, purposes. The investigation developed evidence that the employees had used an official vehicle to transport contraband across the border and that both employees had been previously disciplined for a similar offense. Based upon a report of investigation, both employees were terminated from employment. (98-043)

Misuse of Government Equipment

A complaint was received stating that an employee was using a U.S. Government vehicle for home-to-office transportation after being verbally advised that this was not authorized. The employee told OIG investigators that the position required a "seven-day, twenty-four-hour responsibility" to respond to site emergencies and conduct periodic (after-hours) unannounced inspections. The investigation disclosed that the employee received permission from the ambassador to use the U.S. Government vehicle for that purpose; however, further investigation disclosed that after the employee's "seven-day, twenty-four-hour responsibility" ended, the employee continued to use the U.S. Government vehicle for home-to-office transportation. Based upon the investigation, PER proposed a 30-day suspension without pay. (96-169)

Management Implication Report

During OIG investigations concerning complaints of sexual harassment against employees, issues have been raised concerning the effectiveness of Equal Employment Opportunity Counselors at overseas posts. On January 5, 1998, OIG issued a Management Implication Report (MIR) to S/EEOCR identifying specific vulnerabilities in the selection, training and performance of EEO Counselors overseas. The MIR made six recommendations for improving the process of selecting and training EEO Counselors. (97-085, 97-052)

On September 16, 1998, the Under Secretary for Management issued a Department Notice regarding the Department's Anti-Sexual Harassment Plan. The Department Notice was issued to all Department personnel and announced that S/EEOCR is currently reexamining existing policies and internal procedures regarding the handling of sexual harassment allegations.

FOLLOWUP ACTIONS

Embezzlement

In April 1997, OIG received information from the State Department Bureau of Finance and Management Policy, Financial Services Directorate, indicating the possibility that an assistant disbursing officer at the Charleston Financial Services Center, Charleston, South Carolina, had taken Department funds. When confronted by OIG agents, the employee confessed to stealing Department funds by making unauthorized electronic fund transfer payments to the employee's own account and to an account held by another individual. The employee admitted to using most of the stolen funds to purchase crack cocaine. Subsequent investigation established that the employee had stolen more than \$193,000 and had used several bank accounts in others' names in order to further this scheme. On November 7, 1997, the employee resigned from the Department. On November 10, the employee entered into a plea agreement with the U.S. Attorney's Office, Charleston, South Carolina, agreeing to plead guilty to 19 felony counts of misusing public funds; and the employee agreed that the extent of the theft was not less

than \$193,807. On June 2, 1998, the employee was sentenced to 21 months' imprisonment, 36 months' parole, and ordered to make full restitution

On March 9, 1998, two other individuals, who are not government employees, were indicted for conspiracy, theft of public funds, and money laundering. They were subsequently arrested. One of these individuals was then indicted on an additional count of distribution of a controlled substance (crack cocaine). The Internal Revenue Service, Criminal Investigation Division, and the FBI have worked with OIG on aspects of this investigation. (See *OIG Semiannual Report, October 1, 1997 to March 31, 1999*, p. 28) (97-081)

OIG initiated an investigation in April 1997, based upon information that an FSN customs and shipping clerk at an embassy in the Caribbean had embezzled U.S. Government funds. An OIG investigative team, working with the RSO at post, determined that the employee had created a phantom company and had fraudulently billed the embassy for packing and moving services. The investi-

gation developed evidence that the employee had illegally obtained at least \$60,000 over a 2-year period. The employee was terminated and the evidence was presented to local authorities for prosecution. In August 1997, the former FSN was indicted on 10 counts of theft and was arrested. In April 1998, at sentencing, the employee was ordered to make partial restitution by ceding the full amount in the employee's retirement account (approximately \$41,000) and was placed on probation for 3 years. (See *OIG Semiannual Report, April 1 to September 30, 1997*, p. 32) (97-092)

Hotline

The OIG Hotline, operated by the Office of Investigations, is a prompt, effective channel for employees to report incidents of waste, fraud, abuse, and mismanagement to the Inspector General. The following table provides a summary of Hotline activity for all of the agencies for which OIG has oversight.

Total Allegations received . . .	183
Held for action within OIG . . .	34
Referred to other offices	
for action	136
No action necessary	13

Appendix 1: Investigative Activities¹

Workload		Total Judicial Actions	63
Cases pending 3/31/98	155	<i>Criminal</i>	
New cases opened	55	Prosecutive referrals	11
Cases closed	77	Prosecutive declinations	11
Cases pending 9/30/98	133	Prosecutive dismissals	0
Total Administrative Actions	41	Acquittals	0
Admonishments	1	Indictments ²	31
Counseling	1	Convictions	5
Curtailment	0	Sentencings	5
Debarments	0	Time sentenced	29 months
Demotions	0	Time suspended	0
Reimbursements	9	Time probation	6.5 years
Reprimands	2	Court-ordered fines	\$1,050
Resignations	1	Court-ordered restitutions	\$234,808
Suspensions	7	<i>Civil</i>	
Terminations	12	Referrals	0
Administrative referrals	8	Declinations	0
PFCRA ³ referrals	0	Complaints	0
PFCRA declination	0	Judgments	0
PFCRA reimbursements	0	Recoveries	0
Savings	0	Total judgments and recoveries	0

Administrative recoveries ⁴	\$100,419
Judicial recoveries ⁵	\$235,858
Total Investigative Recoveries	\$336,277

¹ This appendix reflects investigative statistics for the Department of State only. Please see pages 52, 60, and 63 for investigative statistics related to USIA, BBG, and ACDA, respectively.

² Indictments include formal criminal charges brought against a subject. The manner in which charges are brought varies from country to country.

³ Program Fraud and Civil Remedies Act.

⁴ Includes recoveries from administrative actions, such as reimbursements and savings.

⁵ Includes recoveries from judicial actions, including court-ordered fines and restitutions and civil judgments and recoveries.

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

Audits

98-IM-009	Software Development at Overseas Posts	4/98
98-CI-010	Professional Associates Program Review	7/98
98-PP-011	Restructuring the U.S. Mission to Germany Real Property Management	5/98
98-FM-012	Foreign Service Retirement and Disability Fund	5/98
98-CI-013	Consular Agent Program	7/98
98-CG-015	Selected Management and Financial Practices of the Multinational Force and Observers	6/98
98-CG-016	Internal Controls Over Procurement Operations at Embassy	6/98
98-FM/IM-017	International Cooperative Administrative Support Services Program	9/98
98-FM-018	Expenditure of Machine-Readable Visa Fees	8/98
98-IM-019	The Diplomatic Telecommunications Service Program Office*	9/98
98-PP-020	Housing Purchases and Warehouse Operations at Embassy Stockholm	9/98
98-CI-022	Bureau of African Affairs Support for U.S. Business	9/98

Inspections

ISP/I-98-25	United States Mission to the United Nations	5/98
ISP/I-98-26	Embassy Bangkok, Thailand, Constituent Post, and USIS Thailand	7/98
ISP/I-98-27	Embassy Athens, Greece, Constituent Post, and USIS Greece	6/98
ISP/I-98-28	Embassy Nicosia, Cyprus, and USIS Cyprus	7/98
ISP/I-98-29	Embassy Mbabane, Swaziland, and USIS Swaziland	7/98
ISP/I-98-30	Embassy Maseru, Kingdom of Lesotho	8/98
ISP/I-98-31	Embassy Ankara, Turkey, Constituent Posts, and USIS Turkey	8/98
ISP/I-98-32	Special Embassy Program	9/98
ISP/I-98-33	Embassy Pretoria, Republic of South Africa, Constituent Posts, and USIS South Africa	9/98
ISP/I-98-34	Embassy Damascus, Syria, and USIS Syria	8/98
ISP/I-98-35	Embassy Beirut, Lebanon, and USIS Lebanon	8/98
ISP/I-98-36	Embassy Luxembourg, Luxembourg	8/98
ISP/I-98-37	Embassy The Hague, Netherlands, Constituent Post, and USIS Netherlands	9/98
ISP/I-98-38	Embassy Prague, Czech Republic, and USIS Czech Republic	9/98
ISP/I-98-39	U.S. Observer Mission to the United Nations Educational, Scientific, and Cultural Organization (UNESCO), Paris, France	9/98
ISP/I-98-40	Africa Regional Services, Paris France	9/98
ISP/I-98-41	U.S. Mission to the Organization for Economic Cooperation and Development, Paris, France	9/98
ISP/I-98-42	Embassy Paris, France, Constituent Post, and USIS France	9/98
ISP/I-98-43	Bureau of East Asian and Pacific Affairs	9/98

Security and Intelligence Oversight

Audits

SIO/A-98-27	Secretary of State's Protective Detail	6/98
SIO/A-98-36	Time and Attendance for the Secretary of State's Protective Detail	8/98
SIO/A-98-49	Management of Sensitive Compartmented Information Access	9/98
SIO/A-98-50	Declassifying State Department Secrets	9/98

Inspections

SIO/I-98-20	Embassy LaPaz, Bolivia, and Constituent Posts	4/98
SIO/I-98-21	Embassy San Jose, Costa Rica	4/98
SIO/I-98-22	Foreign National Employee Program in Russia	6/98
SIO/I-98-24	Embassy Tegucigalpa, Honduras	5/98
SIO/I-98-25	Embassy Port of Spain, Trinidad and Tobago	6/98
SIO/I-98-28	Embassy Brasilia, Brazil	6/98
SIO/I-98-29	Embassy San Salvador, El Salvador	7/98
SIO/I-98-31	Embassy Santiago, Chile	6/98
SIO/I-98-38	Embassy Kingston, Jamaica	8/98
SIO/I-98-42	Embassy Guatemala City, Guatemala	8/98
SIO/I-98-43	Bomb Procedures at Overseas Diplomatic Facilities	8/98
SIO/M-98-44	Status Report on Moscow Secure Chancery Facilities Project	9/98
SIO/M-98-45	Transition and Master Planning for the Moscow Secure Chancery Facilities	9/98
SIO/I-98-47	Embassy Buenos Aires, Argentina	9/98
SIO/I-98-48	Embassy Santo Domingo, Dominican Republic	9/98

Followup Reviews

SIO/C-98-26	Embassy Baku, Azerbaijan	6/98
SIO/C-98-33	American Institute in Taiwan, Taipei, Taiwan, and Constituent Post	7/98
SIO/C-98-37	U.S. Interest Section of Swiss Embassy, Havana, Cuba	8/98
SIO/C-98-39	Embassy Seoul, Korea, and Constituent Post	8/98
SIO/C-98-41	Mexico City, Mexico, and Constituent Posts	8/98

Contract Audits

<i>Vendor</i>	<i>Audit Number</i>	<i>Type</i>
Connect US-Russia	PA-BB-CG-98-73	Indirect Cost Type
Kullman/M.F. Malone Joint Venture	PA-BB-CG-98-74	Labor Hour Rates
Armor Cape and Pond, Inc.	PA-BB-CG-98-75	Labor Hour Rates
Engineering Applications Consultants, Inc.	PA-BB-CG-98-85	Labor Hour Rates

Appendix 3: Savings & More Effective Use of Resources

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS¹
WITH QUESTIONED COSTS²

	Number of Reports	(Dollars in thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	1	145	0
B. Which were issued during the reporting period	0	0	0
Subtotals (A. + B.)	1	145	0
C. For which a management decision was made during the reporting period	0	0	0
— based on formal administrative or judicial appeal			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed			
D. For which no management decision has been made by the end of the reporting period	1	145	0
Reports for which no management decision was made within 6 months of issuance	1	145	0

¹ Includes audit reports issued by the Office of Audits and by the Office of Security and Intelligence Oversight.

² Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE¹

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	3	3,846
B. Which were issued during the reporting period	1	3,500
Subtotals (A. + B.)	4	7,346
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
— based on proposed management action		
— based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of this reporting period	4	7,346
Reports for which no management decision was made within 6 months of issuance	3	3,846

¹ A "recommendation that funds be put to better use" is a recommendation by the OIG that funds could be used more efficiently if Department management took actions to implement and complete the recommendation, including: reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of the Department, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.

Appendix 4: Resolution of Reports & Recommendations

Previously Reported Significant Audit Recommendations¹ Pending Final Action²

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
3-PP-014		<i>Maintenance and Repair of Buildings Overseas</i>	9/30/93
	1.	Develop a system to identify and monitor the worldwide backlog of maintenance and repair deficiencies, including determining an acceptable level for the backlog and periodically updating the backlog for corrective action taken, additional deficiencies identified, and improved cost estimates.	
4-FM-014		<i>Followup Audit of Expenditures from the Appropriation for Emergencies in the Diplomatic and Consular Service</i>	3/31/94
	7.	Develop and issue formal policies and detailed procedures for K Fund operations, identifying the restrictions on the use of the funds, responsibilities for specific K Fund functions, and internal controls required.	
5-FM-007		<i>Review of Financial Systems Development</i>	3/31/95
	2.	The Under Secretary for Management review the current alignment of resources and responsibilities for system acquisition and development in the Department and determine the optimal management arrangement for system acquisition and development.	

¹ Includes audit recommendations reported as significant in semiannual reports prior to March 31, 1998, on which Department management has agreed to take corrective action but for which those actions are not yet complete.

² Final action is recorded when a proposed course of action in response to a recommendation has been accepted by OIG and completed by management to OIG's satisfaction.

SUMMARY OF AUDIT REPORTS

Without Management Decision for More than Six Months

Administration of Government Housing (98-PP-003), February 1998

Summary: OIG made six recommendations to the Office of Foreign Buildings Operations (A/FBO) relating to the oversight, authorization, and collection of fees for the use of temporary duty housing. An additional three recommendations addressed to A/FBO dealt with an enhancement to the Real Estate Management System, a change to the housing waiver standards consistent with the emphasis on personal and professional requirements of the employee at a cost most advantageous to the government, and a review of the approval process for both post profiles and waivers with emphasis on controlling over-standard housing assignments.

Reason Unresolved: No formal correspondence from A/FBO has been received. However, informal discussions established that temporary duty housing is now under the purview of the ICASS program and that A/FBO and the ICASS Interagency Working Group were trying to coordinate a response.

To be resolved by: March 1999

Audit of the Classified (Red) Mainframe System's Security (SIO/A-97-02), October 1996

Summary: OIG made 12 recommendations to establish a security program and plan for the system, to address risks found during the audit and to ensure that responsible officials are identified and kept informed about the system's security. Five of those recommendations were to the Under Secretary for Management and seven to the Assistant Secretary for Administration. An additional two recommendations to the Assistant Secretary were added at Management's request to address the alternative of migrating the system's functions to other processing environments.

Reason Unresolved: While the Assistant Secretary for Administration agreed to establish security policy and related audits and controls for the classified mainframe system, correspondence has not been provided for agreement on five recommendations to the Assistant Secretary. No formal correspondence from the Under Secretary for Management has been received. However, an informal request from the Under Secretary's office to redirect the recommendations was declined. That request was declined because the audit found that the system's security was at risk as the result of fragmented responsibility between bureaus and that involvement by the Under Secretary to resolve the fragmentation is needed.

To be resolved by: March 1999

Audit of the Management of Secure Communications (SIO/A-97-15), March 1997

Summary: OIG recommended that the Director General of the Foreign Service and the Director of Personnel require personnel, like IM specialists staff, who hold positions with access to bulk quantities of sensitive information to undergo a special counterintelligence screening process prior to each assignment.

Reason Unresolved: Department officials agreed that the personnel security process needed to be improved, but that it should be "linked to posts' critical threat levels and the vulnerability of

SUMMARY OF AUDIT REPORTS

Without Management Decision for More than Six Months

the positions and personnel pending assignment.” OIG believes the Department needs an effective approach, not only for the relatively small set of critical threat posts, but also for the hundreds of noncritical threat posts.

To be resolved by: October 1998

Summary: OIG recommended that M/DGP take the following actions to address the suitability concerns involving potential national security implications of personnel who are posted overseas: coordinate with CIA’s Office of Personnel Security, on a lessons learned basis, to determine the requirements, including resources, to develop and implement a special screening process; request from the Under Secretary for Management, the resources necessary to develop and implement a special screening process; and develop and implement a program to advise management of personnel with suitability concerns involving potential national security implications who are posted overseas.

Reason Unresolved: M/DGP has not formally responded to this recommendation.

To be resolved by: October 1998

Summary: OIG recommended that M/DGP identify Department personnel, such as COM, DCM, front office secretaries, executive assistants, political officers and others, who may as a result of their job or access to classified or sensitive information, be the target of exploitation by foreign intelligences service as discussed in PDD/NSC-12.

Reason Unresolved: M/DGP has not formally responded to this recommendation.

To be resolved by: October 1998

Audit of the 24-Hour Protection of Classified Materials (SIO/A-96-16), March 1997

Summary: OIG made 19 recommendations to enhance the Department’s safeguarding of classified material at overseas posts. Five of those 19 recommendations remain unresolved, three of which were tasked to the Assistant Secretary for Diplomatic Security and two of which were assigned to the Deputy Secretary. Diplomatic Security has formally responded and analysis is ongoing by OIG/SIO. The Deputy Secretary has yet to respond, formally or informally, to the report and subsequent followup requests.

Reason Unresolved: Formal analysis of Diplomatic Security’s latest response package is ongoing within OIG/SIO and the Deputy Secretary has not responded to the recommendations directed to him.

To be resolved by: May 1999

U.S. Information Agency

Including the Broadcasting Board of Governors

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AUDITS

Nonfederal Audits of Nonprofit Institutions

OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, establishes audit requirements for specified entities receiving Federal awards. Nonfederal auditors employed by public accounting firms conduct the audits. OIG reviews all audit reports involving USIA and Department of State funds and provides quality assurance and general oversight.

During this 6-month reporting period, OIG conducted analytical reviews of 117 audit reports totaling approximately \$254 million. These numbers included three Department of State reports with program activity totaling about \$2.6 million. This left a total of 25 audit reports still in process at the end of the period. We adjusted the beginning inventory because 79 audit reports became outdated and obsolete under the revised OMB Circular A-133.

	Number of Reports	Expenditures (\$ in M)
Beginning Inventory	190	410.7
Adjustment	<79>	<91.3>
Reports Received	31	53.8
Analytical Reviews Completed	<117>	<253.5>
Ending Inventory	25	119.7

OIG submitted the completed reviews to USIA and the Department of State, recommending that the offices resolve questioned costs totaling about \$114,400. OIG recommended that USIA and the Department finalize provisional indirect cost rates and ensure correction of grantee internal control weaknesses and instances of noncompliance.

Survey of U.S. Information Agency Freedom Support Act Funding to the New Independent States (98-CG-014)

OIG surveyed Freedom Support Act funding to the New Independent States (NIS) of the former Soviet Union to determine the level of finan-

cial resources the Department transferred or allocated to the USIA under interagency agreements, the level of financial resources USIA awarded to grantees, and the extent to which USIA had developed and implemented procedures to provide financial and programmatic oversight of NIS programs.

The survey showed that during fiscal years 1993 through 1996, the Department transferred approximately \$224.4 million to USIA under section 632 (a) of the Freedom Support Act. Under this section of the act, the receiving agency becomes accountable for the funds. Of the \$224.4 million received, USIA awarded about \$195.3 million to 146 nonprofit organizations.

USIA had established specific controls to ensure compliance with the financial and programmatic monitoring requirements of the Freedom Support Act. Specifically, USIA required independent financial audits of grantees receiving \$25,000 or more in Federal funds; restricted award amounts and required accounting system reviews for first-time grantees; and provided the Department periodic updates on project activities, fund obligations, and accrued expenditures. USIA had also developed and implemented a three-part plan that included attitudinal surveys of program participants, contacts with the grantee organizations, and onsite program reviews to evaluate and measure progress on NIS exchange programs. OIG plans to use the survey data as a baseline for future scheduled audits of NIS programs.

Review of Allegations of Restricted Competition on the U.S. Information Agency's Master Control Facility Contract (98-PP-021)

In response to a congressional request, OIG reviewed allegations of restricted competition on the United States Information Agency (USIA) effort to procure an upgraded master control facility for the Voice of America. Although competition had been sought on this procurement, One company (the company) submitted the only offer and was awarded a \$6.2-million contract for this project. To prepare for this acquisition, USIA acquired the services of a broadcast engineering firm to conduct market research, prepare designs, and draft the Request for Proposal (RFP). Two companies raised concerns regarding the perceived restrictiveness of the RFP and this firm's role in the master control facility procurement.

We found that USIA conducted this procurement in a manner that hindered competition. The RFP contained functional requirements based on a component from one manufacturer that excluded most, if not all, other manufacturers, and USIA could not support its assertion that other capable manufacturers were available. A teaming agreement between the company and the manufacturer of this component hindered other contractors from submitting proposals based on this manufacturer's product. We also found that USIA hindered competition by using an inappropriate contract vehicle to procure acquisition support services. Costs to the government were unduly increased and USIA did not recognize that the contractor personnel performing these services were not under the same ethical or legal constraints that apply to government personnel. The actions of one contractor official and the circumstances surrounding the master control facility procurement raised questions about the integrity of the acquisition process.

OIG recommended that USIA improve contracting practices and seek repayment of certain costs associated with the contract for acquisition support services. We also recommended that USIA adequately protect nonpublic information, closely monitor contractor activities, and specify the level of documentation that contractors conducting market research should maintain.

INVESTIGATIONS

Based upon complaints or allegations of suspected wrongdoing, the Office of Investigations opened four criminal investigations, referred four investigations for criminal prosecution, and referred four administrative reports for disciplinary and/or administrative action during this reporting period.

Theft

An investigation was initiated by OIG in February 1997 based on information received from an anonymous source who alleged that a Voice of America (VOA) foreign correspondent assigned to an overseas post had improperly received reimbursement for over \$24,000 in U.S. Government funds for personal telephone calls. As a result of an analysis of post records, OIG was able to determine that, over a 3-year period, the employee had filed local reimbursement vouchers for approximately \$24,000 worth of personal telephone calls. As part of a civil settlement with the U.S. Attorney's Office, District of Columbia, the VOA employee agreed to pay full restitution plus an additional \$1,500 in interest and penalties. Administratively, the employee was demoted and reassigned to another position. (97-064)

Employee Misconduct

OIG received information that four USIA International Broadcast employees submitted claims for

reimbursement for hours ranging between 250 and 600 for regularly scheduled work, which they did not perform. Investigation disclosed that these individuals were assigned to perform international broadcasting tasks. Investigation showed that they routinely reported to work late and improperly recorded their arrival times on manual time sheets, which did not correspond to the electronic time-keeping devices.

Based on the findings of the investigation, all four employees admitted they misstated their arrival and departure times. The employees entered into an agreement with the Director of Radio Marti and the Director of Cuban Broadcasting that would serve as a Letter of Reprimand for a 2-year period. The employees also agreed that for the next 2 years, they will not apply for and the Agency will not consider them for a supervisory position within the Agency. Three of the employees also voluntarily agreed to donate 40 hours of annual leave to the Annual Leave Transfer Program, while the fourth employee accepted a downgrade to a lower position. (96-122, 96-123, 96-124, 96-125)

Time and Attendance Fraud

OIG received information from USIA indicating that an employee had falsified time and attendance records to receive overtime pay for work that was not actually performed. A review of the employee's payroll records from 1996 to 1998 disclosed a payment for 1,443 hours of overtime. Upon being interviewed, the employee admitted to fraudulently adding overtime hours to the time and attendance records after a supervisor had approved a draft of the hours worked. The case was accepted for prosecution by the U.S. Attorney's Office for the District of Columbia in April 1998. In June 1998, the employee was terminated from employment. On July 31, 1998, the employee pleaded guilty to one felony count of theft, agreed to make restitution of \$25,949.44 over a 4-year period and to pay a special assessment fine of \$100. Sentencing is scheduled for October 1998. (98-086)

An OIG investigation was initiated based upon allegations that a USIA official received large amounts of advance sick leave and donated annual leave that the official was not entitled to receive. The investigation determined that the official received 40 hours of donated annual leave from a subordinate employee and incurred a negative sick leave balance exceeding that allowable under Federal regulations. On June 22, 1998, OIG received notification from USIA that the employee agreed to repay \$7,694 associated with this leave. (98-007)

Appendix 1: Investigative Activities

Workload		Total Judicial Actions	8
Cases pending 3/31/98	25	Criminal	
New cases opened	4	Prosecutive referrals	4
Cases closed	10	Prosecutive declinations	3
Cases pending 9/30/98	19	Acquittals	0
		Indictments	0
		Convictions	1
Total Administrative Actions	13	Sentencings	0
Administrative referrals	4	Probation	0
Counseling	0	Civil	
Reimbursements	1	Referrals	0
Termination	2	Declinations	0
Reprimands	4	Complaints	0
Demotions	2	Judgments	0
		Recovery	0

Administrative Recoveries	\$	7,694
Judicial Recoveries		-
Total Recoveries		\$7,694

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

Office of Audits

98-CG-014	Survey of U.S. Information Agency Freedom Support Act Funding to the New Independent States	6/98
98-PP-021	Review of Allegations of Restricted Competition on the USIA's Master Control Facility Contract	9/98

Appendix 3: Savings & More Effective Use of Resources

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

	Number of Reports	Dollars (in thousands) Questioned Costs	Unsupported Costs*
A. For which no management decision has been made by the commencement of the reporting period	8	3,237	2,396
B. Which were issued during current reporting period	0	0	0
Total	8	3,237	2,396
C. For which a management decision was made during the reporting period — based on formal administrative or judicial appeal	1	72	27
(i) dollar value of disallowed costs	1	24	3
(ii) dollar value of costs not disallowed	1	48	24
D. For which no management decision has been made by the end of the reporting period	7	3,165	2,369
Reports for which no management decision was made within 6 months of issuance	7	3,165	2,369

* Unsupported Costs are included in the Total Costs.

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	1	504
B. Which were issued during the reporting period	0	0
Total	1	504
C. For which a management decision was made during the reporting period	1	504
(i) dollar value of recommendations that were agreed to by management	1	504
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of this reporting period	0	0
Reports for which no management decision was made within 6 months of issuance	0	0

Appendix 4: Resolution of Reports & Recommendations

Previously Reported Significant Audit Recommendations Pending Final Action

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
93-A-34/ ARR-95-08		<i>Grants Management Followup</i> 2. Ensure that the automated grant tracking log contains all data needed to track the status of grant proposals. 5. Assess the status of the grant system to identify the specific tasks and resources needed to develop and implement the system. In addition, establish a realistic implementation plan, including funding commitments. Establish monthly reporting requirements on the project's status. 6. Ensure that data in the grants system is reconciled with data in other grant-related systems. 7. Document life-cycle management policies for the grants system and other related information systems.	3/31/95
ARR-96-07		<i>Exchange Visitor Information System</i> 3. Determine the feasibility of electronically transmitting J Visa data from sponsor organizations to the EVIS database at USIA.	3/31/96

SUMMARY OF AUDIT REPORTS Without Management Decision for More than Six Months

American Council of Learned Societies (A-90-29) September 1990

Summary: OIG identified questioned costs totaling \$44,957, accounting system deficiencies, and excess draw downs of grant funds. USIA's Office of Contracts resolved the accounting system recommendations and the excess drawdowns of grant funds.

Reason Unresolved: The Office of Contracts deferred action on \$44,957 pending further review by OIG, which was completed on March 31, 1995.

To be resolved by: December 1998

International Development Exchange (A-92-24) November 1992

Summary: OIG made recommendations on questioned costs of \$59,498 and accounting system deficiencies.

Reason Unresolved: The Office of Contracts deferred a decision on the questioned costs pending completion of OIG's investigation, which was referred to the Justice Department on July 15, 1994.

To be resolved by: Unknown; case in litigation.

SUMMARY OF AUDIT REPORTS Without Management Decision for More than Six Months

Continued

Delphi International Group (A-92-23) December 1992

Summary: OIG questioned grant costs totaling \$253,772, which included costs associated with an OIG investigation. In September 1997, the Department of Justice reached a settlement with Delphi on the investigation, but \$117,179 in audit costs remain unresolved.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from the grantee.

To be resolved by: December 1998

North/South Center (ARR-94-03) March 1994

Summary: OIG recommended that USIA seek reimbursement of \$1,507,261 in questioned costs, approximately \$1 million of which resulted from an inequitable allocation of indirect costs to the Center. The Department of Health and Human Services, which has audit cognizance, established new indirect cost rates.

Reason Unresolved: USIA's Office of Contracts deferred action on about \$480,000 in remaining questioned costs pending further consultation with the Bureau of Educational and Cultural Affairs and is awaiting additional information from the bureau.

To be resolved by: October 1998

Delphi International Group (ALR-94-03) March 1994

Summary: OIG questioned grant costs totaling \$202,188, which included costs associated with an OIG investigation. In September 1997, the Department of Justice reached a settlement with Delphi on the investigation, but \$110,147 in audit costs remain unresolved.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from the grantee.

To be resolved by: December 1998

Greater Buffalo Athletic Corporation (ARR-95-03) March 1995

Summary: OIG questioned \$2,306,884 in administrative costs.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from the grantee.

To be resolved by: December 1998

International Institute of Wisconsin (CG-96-01) September 1996

Summary: OIG questioned \$46,626 as unallowable or unsupported by the Institute. These costs included airfares for individuals who did not participate in the program, excess working meals, and an unreasonable amount of tickets for sporting events. Also questioned were salary and benefits that were based on budget percentages instead of actual hours worked.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from the grantee.

To be resolved by: October 1998

International Broadcasting

Investigations	59
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Appendix 2: Reports Issued	60

OIG Activities

INVESTIGATIONS

False Claims

OIG initiated an investigation based upon a hotline complaint that an international broadcaster, employed by the Office of Cuba Broadcasting, had submitted fraudulent relocation vouchers for expenses related to a reassignment in 1996 from Washington, D.C., to Miami, Florida. The investigation developed evidence that the employee had submitted a false claim for reimbursement for lodging for a 30-day period. The address where the employee claimed to have been residing was the home of relatives. The investigation established that, during the period in question, the employee had actually resided at an apartment at a different address and had paid a fraction of the amount claimed.

On September 3, 1998, the employee entered a guilty plea in U.S. District Court, Miami, Florida, to a felony charge of filing a false, fictitious, and fraudulent claim. The employee also acknowledged having lied to investigators during the investigation. Sentencing is scheduled for November 1998. (97-055)

Appendix 1: Investigative Activities

Workload	
Cases pending 3/31/98	1
New cases opened	0
Cases closed	0
Cases pending 9/30/98	1
Judicial Actions	
Indictment	1
Conviction	1
Administrative Actions	
Administrative referral	1

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

None

U.S. Arms Control and Disarmament Agency

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Appendix 1: Investigative Activities

Workload	
Cases pending 3/31/98	1
New cases opened	0
Cases closed	1
Cases pending 9/30/98	0
Administrative Actions	0
Judicial Actions	2
Criminal Referral	1
Criminal Declination	1

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

None

Appendix 3: Savings & More Effective Use of Resources

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

	Number of Reports	Dollars (in thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	0	0	0
B. Which were issued during current reporting period	0	0	0
Total	0	0	0
C. For which a management decision was made during the reporting period — based on formal administrative or judicial appeal	0	0	0
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
Reports for which no management decision was made within 6 months of issuance	0	0	0

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
Total	0	0
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of this reporting period	0	0
Reports for which no management decision was made within 6 months of issuance	0	0

Appendix 4: Resolution of Reports & Recommendations

Previously Reported Significant Audit Recommendations Pending Final Action

None

SUMMARY OF AUDIT REPORTS Without Management Decision for More than Six Months

None

List of Abbreviations

A/FBO	Office of Foreign Buildings Operations, Bureau of Administration
ACDA	U.S. Arms Control and Disarmament Agency
AF	Bureau of African Affairs
AIT	American Institute in Taiwan
APEC	Asia-Pacific Economic Cooperation
ARS	Africa Regional Services
DTSPO	Diplomatic Telecommunications Service Program Office
EU	European Union
FBI	Federal Bureau of Investigation
FMP	Bureau of Finance and Management Policy
FNE	Foreign national employee
FSN	Foreign Service national
FSRDF	Foreign Service Retirement and Disability Fund
IDE	International Development Exchange
ILEA	International Law Enforcement Academy
INS	Immigration and Naturalization Service
ICASS	International Cooperative Administrative Support Services
MFO	Multinational Force and Observers
MPP	Mission performance plan
MRV	Machine-readable visa
NATO	North Atlantic Treaty Organization
NIS	New Independent States
OECD	Organization for Economic Cooperation and Development
OIG	Office of Inspector General
OMB	Office of Management and Budget
PA	Professional Associates
PER	Bureau of Personnel
RSO	Regional security office(r)
S/NIS/C	Office of the Coordinator for U.S. Assistance to the New Independent States
SCI	Sensitive compartmented information
SEP	Special Embassy Program
SIO	Office of Security and Intelligence Oversight
SMA	Separate maintenance allowance
UNESCO	United Nations Educational, Scientific, and Cultural Organization
USAID	U.S. Agency for International Development
USEU	U.S. Mission to the European Union
USIA	U.S. Information Agency
USIS	U.S. Information Service
USUN	U.S. Mission to the United Nations

Index of Reporting Requirements

Inspector General Act of 1978, as amended

Requirement	Subject	Page Number:		
		State	USIA	ACDA
Section 4(a)(2)	Review of legislation and regulations	6-7	6-7	6-7
Section 5(a)(1)	Significant problems, abuses, and deficiencies	11-32	49-50	None
Section 5(a)(2)	Significant recommendations for corrective action	11-32	49-50	None
Section 5(a)(3)	Prior significant recommendations unimplemented	44	54	None
Section 5(a)(4)	Matters referred to prosecutive authorities	33-38	51, 59	None
Section 5(a)(5)	Information or assistance refused	None	None	None
Section 5(a)(6)	List of reports issued	40-41	52	None
Section 5(a)(7)	Summaries of significant reports	11-32	49-50	None
Section 5(a)(8)	Audit reports—questioned costs	42	53	None
Section 5(a)(9)	Audit reports—funds to be put to better use	43	53	None
Section 5(a)(10)	Prior audit reports unresolved	45-46	54-55	None
Section 5(a)(11)	Significant revised management decisions	None	None	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None	None	None

Summary of OIG Accomplishments

Financial Results:

Questioned Costs	
Issued during the reporting period	\$ 0
Management decision during the reporting period	\$99,000
Recommendations for Funds Put To Better Use	
Issued during the reporting period	\$3,500,000
Management decision during the reporting period	\$504,000
Investigative Recoveries	\$343,971

Investigative Results:

Cases Opened	59
Cases Closed	88
Judicial Actions	75
Administrative Actions	55
Hotline and Complaint Activity	183

Reports Issued:

Audits	14
Inspections	19
Security and Intelligence Oversight Reviews	24
Contract Audits	4

Pictured on front cover: Embassy Santo Domingo, Dominican Republic. See writeup of security inspection report SIO/I-98-48 on page 31. Photo by Richard V. Long.

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Office of Inspector General
U.S. Department of State
OIG/PPM/PRA, Room 810
1700 North Moore Street
Arlington, VA 22209

DEPARTMENT OF STATE PUBLICATION 10587

Office of Inspector General

Released April 1998

